

FINANCIAL STATEMENTS

MALALA FUND

FOR THE YEAR ENDED MARCH 31, 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, 2017, 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.

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MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

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, 2017, 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.

Gelman Rosenberg & Freedman

September 8, 2017

MALALA FUND
STATEMENT OF FINANCIAL POSITION
AS OF MARCH 31, 2017

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 4,858,130
Pledges receivable	4,022,970
Prepaid expenses	<u>11,074</u>
Total current assets	<u>8,892,174</u>

OTHER ASSETS

Pledges receivable, net of current portion and discount	<u>5,038,909</u>
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TOTAL ASSETS \$ 13,931,083

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable and accrued liabilities	\$ 15,008
Accrued salaries and related benefits	126,646
Grants payable	<u>2,154,346</u>
Total current liabilities	<u>2,296,000</u>

LONG-TERM LIABILITIES

Grants payable, net of current portion	<u>847,467</u>
Total liabilities	<u>3,143,467</u>

NET ASSETS

Unrestricted	2,855,618
Temporarily restricted	<u>7,931,998</u>
Total net assets	<u>10,787,616</u>

TOTAL LIABILITIES AND NET ASSETS \$ 13,931,083

MALALA FUND

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE			
Contributions	\$ 1,938,940	\$ 200	\$ 1,939,140
Foundation Grants & Major Gifts Corporations	3,203,848	11,209,435	14,413,283
Spinoff Grants from New Venture Fund	427,294	597,769	1,025,063
Interest income	1,929,673	502,443	2,432,116
Net assets released from donor restrictions	4,324	-	4,324
	<u>4,377,849</u>	<u>(4,377,849)</u>	<u>-</u>
Total revenue	<u>11,881,928</u>	<u>7,931,998</u>	<u>19,813,926</u>
EXPENSES			
Program Services:			
Programs and Advocacy	6,408,105	-	6,408,105
Communication and Digital	602,815	-	602,815
Film Campaign	479,193	-	479,193
Total program services	<u>7,490,113</u>	<u>-</u>	<u>7,490,113</u>
Supporting Services:			
Management and General	879,125	-	879,125
Fundraising	707,072	-	707,072
Total supporting services	<u>1,586,197</u>	<u>-</u>	<u>1,586,197</u>
Total expenses	<u>9,076,310</u>	<u>-</u>	<u>9,076,310</u>
Change in net assets	2,805,618	7,931,998	10,737,616
Net assets at beginning of year	<u>50,000</u>	<u>-</u>	<u>50,000</u>
NET ASSETS AT END OF YEAR	<u>\$ 2,855,618</u>	<u>\$ 7,931,998</u>	<u>\$ 10,787,616</u>

MALALA FUND

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MARCH 31, 2017

	Program Services			Supporting Services			Total Expenses	
	Programs and Advocacy	Communication and Digital	Film Campaign	Total Program Services	Management and General	Fundraising		Total Supporting Services
Personnel	\$ 487,751	\$ 258,853	\$ 369,047	\$ 1,115,651	\$ 405,350	\$ 384,168	\$ 789,518	\$ 1,905,169
Grant expenses	4,935,276	-	-	4,935,276	-	-	-	4,935,276
Professional services	755,209	265,130	38,063	1,058,402	269,168	168,947	438,115	1,496,517
Occupancy	52,617	35,901	40,300	128,818	37,513	44,130	81,643	210,461
Insurance	-	-	7,043	7,043	16,017	-	16,017	23,060
Travel	150,781	23,906	17,580	192,267	79,377	47,601	126,978	319,245
Office expenses	4,429	3,690	950	9,069	14,335	31,389	45,724	54,793
Office equipment and software	3,965	8,106	1,255	13,326	4,323	10,663	14,986	28,312
Communications	4,179	4,554	2,514	11,247	10,149	14,005	24,154	35,401
Financial and donation processing fees	896	9	61	966	39,929	3,493	43,422	44,388
Other expenses	13,002	2,666	2,380	18,048	2,964	2,676	5,640	23,688
TOTAL	\$ 6,408,105	\$ 602,815	\$ 479,193	\$ 7,490,113	\$ 879,125	\$ 707,072	\$ 1,586,197	\$ 9,076,310

See accompanying notes to financial statements.

MALALA FUND

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2017**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in net assets	\$ 10,737,616
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Discount on long-term receivables	213,031
(Increase) in:	
Pledges receivable	(9,274,910)
Prepaid expenses	(11,074)
Increase in:	
Accounts payable and accrued liabilities	15,008
Accrued salaries and related benefits	126,646
Grants payable	<u>3,001,813</u>
Net cash provided by operating activities	<u>4,808,130</u>
Net increase in cash and cash equivalents	4,808,130
Cash and cash equivalents at beginning of year	<u>50,000</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 4,858,130</u>

MALALA FUND

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2017

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 FASB ASC 958, *Not-for-Profit Entities*.

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.

Uncertain tax positions -

For the year ended March 31, 2017, 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.

MALALA FUND

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2017

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

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.

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.

New accounting pronouncement -

In August 2016, the Financial Accounting Standards Board (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.

MALALA FUND

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2017

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

New accounting pronouncement (continued) -

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. The Organization has elected to defer implementation until the applicable required date.

2. **PLEDGES RECEIVABLE**

The Organization received unconditional pledges totaling \$12,771,140. As of March 31, 2017, \$9,061,879 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 3.5%.

Following is a schedule of pledges receivable at March 31, 2017:

Less than one year	\$ 4,022,970
One to five years	<u>5,251,940</u>
Total	9,274,910
Less: Allowance to discount balance to present value	<u>(213,031)</u>
PLEDGES RECEIVABLE	<u>\$ 9,061,879</u>

3. **GRANTS PAYABLE**

The Organization committed funds to various grantees payable at various times through 2020, totaling \$7,937,090. Grants authorized and expended during the year ended March 31, 2017 totaled \$4,935,276. All outstanding payables are to be paid within three years.

Following is a schedule of grants payable at March 31, 2017:

Less than one year	\$ 2,154,346
One to five years	<u>847,467</u>
TOTAL GRANTS PAYABLE	<u>\$ 3,001,813</u>

4. **TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consisted of the following at March 31, 2017:

Programs	\$ 4,011,259
Time Restriction	<u>3,920,739</u>
TOTAL TEMPORARILY RESTRICTED NET ASSETS	<u>\$ 7,931,998</u>

MALALA FUND

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2017**

4. TEMPORARILY RESTRICTED NET ASSETS (Continued)

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	\$ <u>4,377,849</u>
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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, 2017 was \$210,461.

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, 2017 totaled \$33,189.

7. SUBSEQUENT EVENTS

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through September 8, 2017, the date the financial statements were issued.