

CONSOLIDATED FINANCIAL STATEMENTS

THE MALALA FUND

**FOR THE YEAR ENDED MARCH 31, 2025
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2024**

THE MALALA FUND

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying consolidated financial statements of The Malala Fund U.S. and Malala Fund Nigeria (collectively, "the Organization"), which comprise the consolidated statement of financial position as of March 31, 2025, and the related consolidated statements of activities and change in net assets, functional expenses and cash flows for the year 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 consolidated financial position of the Organization as of March 31, 2025, and the consolidated change in its net assets and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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 Audit 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 audit. 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 the 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 consolidated financial statements are available to be issued.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole 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 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.

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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, including omissions, 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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 audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Organization's 2024 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated September 10, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2024, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedule of financial position and consolidating schedule of activities and change in net assets on pages 17 and 18 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.



August 22, 2025

THE MALALA FUND

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF MARCH 31, 2025
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2024

| ASSETS | | |
|---|-----------------------------|-----------------------------|
| | <u>2025</u> | <u>2024</u> |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 8,018,613 | \$ 13,825,899 |
| Investments | 28,418,380 | 28,421,681 |
| Contributions receivable | 148,966 | 51,145 |
| Pledges receivable | 9,941,130 | 8,845,389 |
| Prepaid expenses | 97,752 | 194,889 |
| Grant advances | <u>811,506</u> | <u>-</u> |
| Total current assets | <u>47,436,347</u> | <u>51,339,003</u> |
| FIXED ASSETS | | |
| Furniture and fixtures | 19,172 | 19,172 |
| Leasehold improvements | 154,283 | 154,283 |
| Less: Accumulated depreciation and amortization | <u>(78,677)</u> | <u>(53,918)</u> |
| Net fixed assets | <u>94,778</u> | <u>119,537</u> |
| NON-CURRENT ASSETS | | |
| Pledges receivable, net | 5,928,821 | 11,445,652 |
| Operating lease right-of-use assets, net | 1,096,297 | 1,321,648 |
| Security deposits | <u>36,797</u> | <u>50,138</u> |
| Total non-current assets | <u>7,061,915</u> | <u>12,817,438</u> |
| TOTAL ASSETS | <u>\$ 54,593,040</u> | <u>\$ 64,275,978</u> |
| LIABILITIES AND NET ASSETS | | |
| CURRENT LIABILITIES | | |
| Accounts payable and accrued liabilities | \$ 556,371 | \$ 433,692 |
| Accrued salaries and related benefits | 403,402 | 518,660 |
| Grants payable | 7,478,802 | 9,060,316 |
| Operating lease liabilities | <u>231,289</u> | <u>222,870</u> |
| Total current liabilities | <u>8,669,864</u> | <u>10,235,538</u> |
| NON-CURRENT LIABILITIES | | |
| Grants payable, net | 1,933,839 | 2,962,116 |
| Operating lease liabilities, net | <u>1,019,020</u> | <u>1,251,445</u> |
| Total non-current liabilities | <u>2,952,859</u> | <u>4,213,561</u> |
| Total liabilities | <u>11,622,723</u> | <u>14,449,099</u> |
| NET ASSETS | | |
| Without donor restrictions | 27,034,914 | 30,009,338 |
| With donor restrictions | <u>15,935,403</u> | <u>19,817,541</u> |
| Total net assets | <u>42,970,317</u> | <u>49,826,879</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 54,593,040</u> | <u>\$ 64,275,978</u> |

See accompanying notes to consolidated financial statements.

THE MALALA FUND

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2025
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2024

| | 2025 | | | 2024 |
|--|---|------------------------------------|-----------------------------|-----------------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Total |
| REVENUE AND SUPPORT | | | | |
| Grants and contributions | \$ 8,631,207 | \$ 5,838,142 | \$ 14,469,349 | \$ 16,524,136 |
| Net investment return | 1,564,651 | - | 1,564,651 | 2,505,543 |
| Contributed nonfinancial assets | 445,236 | - | 445,236 | 489,488 |
| Other revenue | - | - | - | 2,322 |
| Net assets released from donor restrictions | <u>9,720,280</u> | <u>(9,720,280)</u> | <u>-</u> | <u>-</u> |
| Total revenue and support | <u>20,361,374</u> | <u>(3,882,138)</u> | <u>16,479,236</u> | <u>19,521,489</u> |
| EXPENSES | | | | |
| Program Services: | | | | |
| Programs and Advocacy | 17,876,232 | - | 17,876,232 | 20,730,852 |
| Communication and Digital | <u>1,067,173</u> | <u>-</u> | <u>1,067,173</u> | <u>1,360,604</u> |
| Total program services | <u>18,943,405</u> | <u>-</u> | <u>18,943,405</u> | <u>22,091,456</u> |
| Supporting Services: | | | | |
| Management and General | 2,437,420 | - | 2,437,420 | 3,021,900 |
| Fundraising | <u>1,954,973</u> | <u>-</u> | <u>1,954,973</u> | <u>1,642,447</u> |
| Total supporting services | <u>4,392,393</u> | <u>-</u> | <u>4,392,393</u> | <u>4,664,347</u> |
| Total expenses | <u>23,335,798</u> | <u>-</u> | <u>23,335,798</u> | <u>26,755,803</u> |
| Change in net assets | (2,974,424) | (3,882,138) | (6,856,562) | (7,234,314) |
| Net assets at beginning of year | <u>30,009,338</u> | <u>19,817,541</u> | <u>49,826,879</u> | <u>57,061,193</u> |
| NET ASSETS AT END OF YEAR | <u>\$ 27,034,914</u> | <u>\$ 15,935,403</u> | <u>\$ 42,970,317</u> | <u>\$ 49,826,879</u> |

THE MALALA FUND

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MARCH 31, 2025
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2024

| | 2025 | | | | | | 2024 | |
|---------------------------------|-----------------------|---------------------------|------------------------|------------------------|---------------------|---------------------------|----------------------|----------------------|
| | Program Services | | | Supporting Services | | | Total Expenses | Total Expenses |
| | Programs and Advocacy | Communication and Digital | Total Program Services | Management and General | Fundraising | Total Supporting Services | | |
| Personnel | \$ 3,425,871 | \$ 769,207 | \$ 4,195,078 | \$ 1,168,741 | \$ 1,541,200 | \$ 2,709,941 | \$ 6,905,019 | \$ 6,258,165 |
| Grant expenses | 12,458,926 | - | 12,458,926 | - | - | - | 12,458,926 | 13,612,170 |
| Professional services | 1,079,410 | 164,025 | 1,243,435 | 521,369 | 43,786 | 565,155 | 1,808,590 | 3,903,441 |
| Travel | 425,696 | 6,702 | 432,398 | 121,927 | 49,012 | 170,939 | 603,337 | 1,181,818 |
| Occupancy | 138,216 | 79,447 | 217,663 | 104,212 | 77,215 | 181,427 | 399,090 | 402,501 |
| Insurance | - | 160 | 160 | 60,686 | - | 60,686 | 60,846 | 54,254 |
| Office expenses | 52,908 | 1,300 | 54,208 | 34,743 | 5,735 | 40,478 | 94,686 | 115,183 |
| Office equipment and software | 8,319 | 3,692 | 12,011 | 146,870 | 58,603 | 205,473 | 217,484 | 266,854 |
| Financial fees | 2,455 | 7 | 2,462 | 47,283 | 48,947 | 96,230 | 98,692 | 86,427 |
| Meetings and events | 63,377 | 11 | 63,388 | 9,980 | 12,816 | 22,796 | 86,184 | 253,784 |
| Contributed nonfinancial assets | 190,171 | 10,890 | 201,061 | 194,869 | 49,306 | 244,175 | 445,236 | 489,488 |
| Honorariums and other expenses | 30,883 | 31,732 | 62,615 | 26,740 | 68,353 | 95,093 | 157,708 | 131,718 |
| TOTAL | \$ 17,876,232 | \$ 1,067,173 | \$ 18,943,405 | \$ 2,437,420 | \$ 1,954,973 | \$ 4,392,393 | \$ 23,335,798 | \$ 26,755,803 |

See accompanying notes to consolidated financial statements.

THE MALALA FUND

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2025
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2024

| | <u>2025</u> | <u>2024</u> |
|---|----------------------------|-----------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ (6,856,562) | \$ (7,234,314) |
| Adjustments to reconcile change in net assets to net cash used by operating activities: | | |
| Depreciation and amortization | 24,759 | 24,759 |
| Realized and unrealized gain on investments | (623,263) | (1,541,528) |
| Donated securities received | (355,833) | (665,730) |
| Proceeds from sale of donated securities received | 352,132 | 662,635 |
| Realized loss on donated securities received | 3,701 | 3,095 |
| Change in discount on non-current pledges receivables | (1,039,835) | (678,349) |
| Amortization of right-of-use assets | 225,351 | 201,339 |
| (Increase) decrease in: | | |
| Contributions receivable | (97,821) | 124,093 |
| Pledges receivable | 5,460,925 | 4,349,877 |
| Prepaid expenses | 97,137 | (43,545) |
| Grant advances | (811,506) | - |
| Security deposits | 13,341 | 990 |
| Increase (decrease) in: | | |
| Accounts payable and accrued liabilities | 122,679 | 26,001 |
| Accrued salaries and related benefits | (115,258) | 211,360 |
| Grants payable | (2,609,791) | (188,632) |
| Operating lease liabilities | <u>(224,006)</u> | <u>(192,416)</u> |
| Net cash used by operating activities | <u>(6,433,850)</u> | <u>(4,940,365)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchases of investments | (962,609) | (1,463,123) |
| Proceeds from sales of investments | <u>1,589,173</u> | <u>4,547,833</u> |
| Net cash provided by investing activities | <u>626,564</u> | <u>3,084,710</u> |
| Net decrease in cash and cash equivalents | (5,807,286) | (1,855,655) |
| Cash and cash equivalents at beginning of year | <u>13,825,899</u> | <u>15,681,554</u> |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | <u>\$ 8,018,613</u> | <u>\$ 13,825,899</u> |
| SUPPLEMENTAL INFORMATION: | | |
| Right-of-Use Assets | <u>\$ -</u> | <u>\$ 41,367</u> |
| Operating Lease Liabilities for Right-of-Use Assets | <u>\$ -</u> | <u>\$ 41,367</u> |

THE MALALA FUND
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

The Malala Fund U.S. was incorporated as a non-profit organization under the laws of the State of Delaware. The Malala Fund U.S. is located in Washington, D.C., New York City, New York and Islamabad, Pakistan. Inspired and led by Malala Yousafzai, the Malala Fund U.S.' mission is to ensure all girls can access and complete 12 years of education.

On March 12, 2021, a corporation registration was approved in Nigeria for Malala Fund Nigeria Ltd/Gte (Malala Fund Nigeria). The creation of Malala Fund Nigeria allows for hiring of local staff in Nigeria and expansion of work in that country. The Malala Fund U.S. and The Malala Fund UK are the sole members of Malala Fund Nigeria. Malala Fund Nigeria is a legally registered organization located in Abuja, Nigeria.

Principles of consolidation -

The accounts of The Malala Fund U.S. have been consolidated with Malala Fund Nigeria (collectively, "the Organization") in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) which require that financially interrelated organizations be consolidated. All intercompany transactions and balances have been eliminated in consolidation.

Program services -

Programs and Advocacy represents the bulk of the Organization's activities, including all grant-making to local organizations and direct work to improve girls education access at both the country and global level. The communications and digital work stream supports programs and advocacy activities by amplifying the messaging of the Organization's grantees, staff, and co-founders.

Basis of presentation -

The accompanying consolidated financial statements are presented on the accrual basis of accounting, and in accordance with U.S. GAAP related to non-profit entities. As such, net assets are reported within two net asset classifications: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories are as follows:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor restrictions are recorded as "net assets without donor restrictions". Net assets set aside solely through the actions of the Board are referred to as Board designated and are also reported as net assets without donor restrictions. The total amount of Board designated net assets at March 31, 2025 was \$7,393,044, which are to be used for an operating reserve.

Net Assets With Donor Restrictions - Net assets may be subject to donor-imposed stipulations that are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor-imposed restrictions are released when the 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. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

The consolidated 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.

THE MALALA FUND
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2025

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

Basis of presentation (continued) -

Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements for the year ended March 31, 2024, from which the summarized information was derived.

Cash and cash equivalents -

The Organization considers all cash and other highly liquid investments, including certificates of deposit, with maturities of three months or less to be cash equivalents, excluding money market funds held by investment managers in the amount of \$124,624 for the year ended March 31, 2025. 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.

The Organization had \$642,076 of cash and cash equivalents held at financial institutions in foreign countries at March 31, 2025. The majority of funds invested in foreign countries are uninsured.

Investments -

Investments are recorded at their readily determinable fair value. Interest, dividends, realized and unrealized gains and losses are included in investment return, which is presented net of investment expenses paid to external investment advisors, in the accompanying Consolidated Statement of Activities and Change in Net Assets. Investments acquired by gift are recorded at their fair value at the date of the gift. The Organization's policy is to liquidate all gifts of investments as soon as possible after the gift.

Contributions and pledges receivable -

Contributions and pledges receivables include unconditional promises to give that are expected to be collected in future years. Contributions and pledges receivables are recorded at their fair value, which is measured as the present value of the future cash flows. The discount on long-term contributions and pledges receivables are computed using the risk-adjusted interest rates applicable to the years in which the promises to give were received. Amortization of the discount is included in grants and contributions revenue.

Fixed assets -

Fixed assets in excess of \$5,000 are capitalized and stated at cost. Fixed assets are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to seven years. Leasehold improvements are amortized over the lesser of the useful life of the asset or the remaining life term of the lease. The cost of maintenance and repairs is recorded as expenses are incurred. Depreciation and amortization expense totaled \$24,759 for the year ended March 31, 2025.

Grants payable -

Grants payable are recorded as a liability when the commitment has been made by the Organization and are included in the Consolidated Statement of Financial Position.

THE MALALA FUND
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2025

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

Income taxes -

The Malala Fund U.S. is exempt from Federal income taxes under Section 501(a) of the Internal Revenue Code ("IRC"), as an organization described in IRC Section 501(c)(3). Accordingly, no provision for income taxes has been made in the accompanying consolidated financial statements. The Malala Fund U.S. is not a private foundation.

Malala Fund Nigeria is a company limited by guarantee registered under the laws and regulations of Nigeria. As long as its activities are exclusively for charitable purposes, its income is exempt from taxation in Nigeria.

Support from grants and contributions -

Contributions are recognized in the appropriate category of net assets in the period received. The Organization performs an analysis of the individual contribution agreement to determine if the funding stream follows the contribution rules or if it should be recorded as an exchange transaction depending upon whether the transaction is deemed reciprocal or nonreciprocal in accordance with Accounting Standards Codification (ASC) Topic 958.

Support from contributions is recognized upon notification of the award and satisfaction of all conditions, if applicable. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions, including grants qualifying as contributions, that are unconditional but have donor restrictions are recognized as "without donor restrictions" only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Contributions with donor restrictions either in excess of expenses incurred or with time restrictions are shown as net assets with donor restrictions in the accompanying consolidated financial statements.

Conditional contributions contain a right of return and a measurable barrier. Contributions are recognized when conditions have been satisfied. Conditional contributions received in advance of meeting specified conditions established by donors are recorded as refundable advances. However, the Organization had no refundable advances as of March 31, 2025.

In addition, the Organization may obtain funding source agreements related to conditional contributions, which will be received in future years. However, the Organization had no conditional contributions to be received in future years as of March 31, 2025.

Contributed nonfinancial assets -

Contributed nonfinancial assets are recorded at their fair value as of the date of the gift and consisted of contributed consultant services, recruitment services, investment management fees, and software.

Contributed services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. None of the contributed nonfinancial assets were restricted by donors and none of the donated goods were monetized through sale.

Foreign currency translation -

The U.S. Dollar is the functional currency for the Organization's worldwide operations. Transactions in currencies other than U.S. Dollars are translated into Dollars at the rate of exchange in effect during the month of the transaction.

THE MALALA FUND
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2025

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

Foreign currency translation (continued) -

Assets and liabilities denominated in currencies other than U.S. Dollars are translated into Dollars at the exchange rate in effect at the date of the Consolidated Statement of Financial Position.

Use of estimates -

The preparation of the consolidated 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 consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Risks and uncertainties -

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks.

Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying consolidated financial statements.

Functional allocation of expenses -

The costs of providing the Organization's programs and supporting services have been summarized on a functional basis in the Consolidated Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses directly attributed to a specific functional area are reported as direct expenses within that functional area and expenses that benefited more than one functional area are allocated on a basis of estimated time and effort. Occupancy and office costs are allocated based on employee headcount per each department.

Reclassification -

Certain amounts in the prior year's consolidated financial statements have been reclassified to conform to the current year's presentation. These reclassifications had no effect on the previously reported consolidated changes in net assets.

2. INVESTMENTS AND FAIR VALUE MEASUREMENT

In accordance with FASB ASC 820, *Fair Value Measurement*, the Organization has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

THE MALALA FUND
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2025

2. INVESTMENTS AND FAIR VALUE MEASUREMENT (Continued)

Investments recorded in the Consolidated Statement of Financial Position are categorized based on the inputs to valuation techniques as follows:

Level 1. These are investments where values are based on unadjusted quoted prices for identical assets in an active market the Organization has the ability to access.

Level 2. These are investments where values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques that utilize inputs that are observable either directly or indirectly for substantially the full-term of the investments.

Level 3. These are investments where inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies used and there were no transfers between levels in the fair value hierarchy during the year ended March 31, 2025. Transfers between levels are recorded at the end of the reporting period, if applicable.

- *Money Market Funds* - Money market funds are open-end funds that are registered with the Securities and Exchange Commission (SEC) and are deemed to be actively traded.
- *Equities and Exchange Traded Funds (ETFs)* - Valued at the closing price reported on the active market in which the individual securities are traded.
- *Fixed Income* - Fair value is based upon current yields available on comparable securities of issuers with similar ratings, the security's terms and conditions, and interest rate and credit risk.

The table below summarizes, the investments measured at fair value on a recurring basis, by level within the fair value hierarchy as of March 31, 2025:

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|--------------------------|-----------------------------|--------------------|--------------------|-----------------------------|
| Asset Class: | | | | |
| Money Market Funds | \$ 124,624 | \$ - | \$ - | \$ 124,624 |
| Equities | 4,906,962 | - | - | 4,906,962 |
| Exchange Traded Funds | 110,442 | - | - | 110,442 |
| Fixed Income | <u>23,276,352</u> | <u>-</u> | <u>-</u> | <u>23,276,352</u> |
| TOTAL INVESTMENTS | <u>\$ 28,418,380</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 28,418,380</u> |

Net investment return consisted of the following for the year ended March 31, 2025:

| | |
|------------------------------|----------------------------|
| Interest and dividends | \$ 984,262 |
| Realized and unrealized gain | 619,562 |
| Investment fees | <u>(39,173)</u> |
| NET INVESTMENT RETURN | <u>\$ 1,564,651</u> |

3. PLEDGES RECEIVABLE

As of March 31, 2025, contributors to the Organization have made unconditional written promises to give, of which \$16,412,668 remained due and outstanding.

THE MALALA FUND
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2025

3. PLEDGES RECEIVABLE (Continued)

Amounts due beyond one year of the Consolidated Statement of Financial Position date have been recorded at the present value of the estimated cash flows, using a discount rate of approximately 4.33%.

Following is a schedule of amounts due, by year, as of March 31, 2025:

| | |
|--|-----------------------------|
| Less than one year | \$ 9,949,334 |
| One to five years | <u>6,463,334</u> |
| Total | 16,412,668 |
| Less: Allowance to discount balance to present value | (534,513) |
| Less: Allowance for uncollectable amounts | <u>(8,204)</u> |
| TOTAL PLEDGES RECEIVABLE, NET | <u>\$ 15,869,951</u> |

4. GRANTS PAYABLE

As of March 31, 2025, the Organization's outstanding obligations to its grantees totaled \$9,412,641. Grants authorized and expensed during the year ended March 31, 2025 totaled \$12,458,926. Following is a schedule of future grant payments:

| <u>Year Ending March 31,</u> | |
|------------------------------|----------------------------|
| 2026 | \$ 7,478,802 |
| 2027 | 1,754,714 |
| 2028 | <u>179,125</u> |
| TOTAL GRANTS PAYABLE | <u>\$ 9,412,641</u> |

5. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at March 31, 2025:

| | |
|--|-----------------------------|
| Subject to expenditure for specified purpose | \$ 608,250 |
| Subject to passage of time | <u>15,327,153</u> |
| NET ASSETS WITH DONOR RESTRICTIONS | <u>\$ 15,935,403</u> |

The following net assets with donor restrictions were released from donor restrictions either by incurring expenses which satisfied the restricted purposes specified by the donors or through the passage of time during the year ended March 31, 2025:

| | |
|--|----------------------------|
| Purpose restrictions accomplished | \$ 2,922,357 |
| Timing restrictions accomplished | <u>6,797,923</u> |
| NET ASSETS RELEASED FROM DONOR RESTRICTIONS | <u>\$ 9,720,280</u> |

THE MALALA FUND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2025

6. CONTRIBUTED NONFINANCIAL ASSETS

During the year ended March 31, 2025, the Organization was the beneficiary of donated goods and services which allowed the Organization to provide greater resources toward various programs. To properly reflect total program expenses, the following donations have been included in revenue and expense for the year ended March 31, 2025:

| | |
|------------------------------------|--------------------------|
| Donated consulting services | \$ 183,854 |
| Donated recruitment services | 100,000 |
| Donated investment management fees | 91,405 |
| Donated software | <u>69,977</u> |
| TOTAL | \$ <u>445,236</u> |

The following programs have benefited from these contributed nonfinancial assets:

| | |
|---------------------------|--------------------------|
| Programs and Advocacy | \$ 190,171 |
| Communication and Digital | 10,890 |
| Management and General | 194,869 |
| Fundraising | <u>49,306</u> |
| TOTAL | \$ <u>445,236</u> |

7. LIQUIDITY AND AVAILABILITY

Financial assets available for use for general expenditures within one year of the Consolidated Statement of Financial Position date comprise the following:

| | |
|---|-----------------------------|
| Cash and cash equivalents | \$ 8,018,613 |
| Investments | 28,418,380 |
| Contributions receivable | 148,966 |
| Pledges receivable | <u>15,869,951</u> |
| Subtotal financial assets available within one year | 52,455,910 |
| Less: Board designated funds | (7,393,044) |
| Less: Donor restricted funds | <u>(7,071,583)</u> |
| TOTAL FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR | \$ <u>37,991,283</u> |

The Organization has a policy to structure its financial assets to be available and liquid as its obligations become due. Board designated funds can be drawn upon if the Board of Directors approves such action.

8. LEASE COMMITMENTS

The Organization follows FASB ASC 842 for leases. The Organization has elected the practical expedient that allows lessees to choose to not separate lease and non-lease components by class of underlying asset and is applying this expedient to all relevant asset classes. The Organization has also elected to use a risk-free rate as the lease discount rate for all leases as allowed under FASB ASC 842.

THE MALALA FUND
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2025

8. LEASE COMMITMENTS (Continued)

Operating Leases:

In May 2021, the Organization signed a lease agreement for office space in Washington, D.C. that commenced on September 1, 2021 and extends through September 30, 2029. Base rent is \$23,276 per month, increasing by a factor of 2.5% per year. Under the terms of the lease agreement, the landlord granted the Organization nine months of abated rent.

Additionally, the Organization leases office space in Islamabad, Pakistan under an agreement that originated on October 21, 2023 and terminates on October 21, 2025. Base rent is \$1,866 per month through the life of the lease.

The Organization also has a short-term lease agreement in Nigeria.

For the year ended March 31, 2025, the total lease cost for all operating leases was \$376,742 which is included in occupancy expense in the accompanying Consolidated Statement of Functional Expenses. For the year ended March 31, 2025, the total cash paid for all operating leases was \$374,102. As of March 31, 2025, the weighted-average remaining lease term and rate for operating leases is 4.46 years and 5.25%.

The following is a schedule of the future minimum lease payments due under the operating leases, net of imputed interest, as of March 31, 2025:

| <u>Year Ending March 31,</u> | |
|-------------------------------------|----------------------------|
| 2026 | \$ 291,360 |
| 2027 | 313,447 |
| 2028 | 321,283 |
| 2029 | 329,315 |
| 2030 | <u>154,031</u> |
| Subtotal | 1,409,436 |
| Less: Imputed interest | (159,127) |
| Less: Current portion | <u>(231,289)</u> |
| NON-CURRENT PORTION | <u>\$ 1,019,020</u> |

9. RETIREMENT PLAN

The Malala Fund U.S. provides retirement benefits to its U.S. employees through a 403(b) plan (the Plan) covering all full-time employees upon hire. The Malala Fund U.S. provides up to a 3% match of each eligible employee's contribution. Employer contributions to the Plan during the year ended March 31, 2025 totaled \$134,647 and are included in Personnel in the accompanying Consolidated Statement of Functional Expenses.

In accordance with Nigeria's 2014 Pension Reform Act, Malala Fund Nigeria contributes 10% and staff contribute 8% of their pensionable pay to individual pension accounts held by each staff member with a pension provider of their choice. Employer pension contributions during the year ended March 31, 2025 totaled \$39,777 and are included in Personnel in the accompanying Consolidated Statement of Functional Expenses.

THE MALALA FUND
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2025

10. RELATED PARTY TRANSACTIONS

The Organization supports the operations of The Malala Fund UK, a member organization registered as a charity in the United Kingdom. The financial statements of the Organization are not consolidated with The Malala Fund UK because there is no common control (i.e. major voting interest) between the Organizations. During the year ended March 31, 2025, the Organization made grant payments to The Malala Fund UK totaling \$2,437,675 which is included in grant expenses in the accompanying Consolidated Statement of Functional Expenses.

11. RESTRUCTURING AND SEVERANCE COSTS

As part of a strategic review of the Organization's programming, the Organization went through a restructuring process that started in early 2024 and was completed in March 2025. This resulted in some staff positions being considered redundant. The Organization and each of the impacted employees signed agreements outlining the terms of their termination and calculated severance payments. During the year ended March 31, 2025, severance payments related to the restructuring totaled \$575,000. No other legal liabilities are known related to the restructuring and the Organization considers the possibility of legal liability to be remote.

12. SUBSEQUENT EVENTS

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through August 22, 2025, the date the consolidated financial statements were issued.

SUPPLEMENTAL INFORMATION

THE MALALA FUND U.S. AND MALALA FUND NIGERIA
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
AS OF MARCH 31, 2025

| | ASSETS | | | |
|---|---------------------------------|------------------------------------|---------------------|----------------------|
| | The Malala Fund U.S. | The Malala Fund Nigeria | Eliminations | Total |
| CURRENT ASSETS | | | | |
| Cash and cash equivalents | \$ 7,958,849 | \$ 59,764 | \$ - | \$ 8,018,613 |
| Investments | 28,418,380 | - | - | 28,418,380 |
| Contributions receivable | 148,785 | 181 | - | 148,966 |
| Pledges receivable | 9,941,130 | - | - | 9,941,130 |
| Prepaid expenses | 86,605 | 11,147 | - | 97,752 |
| Grant advances | 811,506 | - | - | 811,506 |
| Total current assets | 47,365,255 | 71,092 | - | 47,436,347 |
| FIXED ASSETS | | | | |
| Furniture and fixtures | 19,172 | - | - | 19,172 |
| Leasehold improvements | 154,283 | - | - | 154,283 |
| Less: Accumulated depreciation and amortization | (78,677) | - | - | (78,677) |
| Net fixed assets | 94,778 | - | - | 94,778 |
| NON-CURRENT ASSETS | | | | |
| Pledges receivable, net | 5,928,821 | - | - | 5,928,821 |
| Operating lease right-of-use assets, net | 1,096,297 | - | - | 1,096,297 |
| Security deposits | 36,797 | - | - | 36,797 |
| Total non-current assets | 7,061,915 | - | - | 7,061,915 |
| TOTAL ASSETS | \$ 54,521,948 | \$ 71,092 | \$ - | \$ 54,593,040 |
| LIABILITIES AND NET ASSETS | | | | |
| CURRENT LIABILITIES | | | | |
| Accounts payable and accrued liabilities | \$ 536,926 | \$ 19,445 | \$ - | \$ 556,371 |
| Accrued salaries and related benefits | 363,697 | 39,705 | - | 403,402 |
| Grants payable | 7,478,802 | - | - | 7,478,802 |
| Operating lease liabilities | 231,289 | - | - | 231,289 |
| Total current liabilities | 8,610,714 | 59,150 | - | 8,669,864 |
| NON-CURRENT LIABILITIES | | | | |
| Grants payable, net | 1,933,839 | - | - | 1,933,839 |
| Operating lease liabilities, net | 1,019,020 | - | - | 1,019,020 |
| Total non-current liabilities | 2,952,859 | - | - | 2,952,859 |
| Total Liabilities | 11,563,573 | 59,150 | - | 11,622,723 |
| NET ASSETS | | | | |
| Without donor restrictions | 27,022,972 | 11,942 | - | 27,034,914 |
| With donor restrictions | 15,935,403 | - | - | 15,935,403 |
| Total net assets | 42,958,375 | 11,942 | - | 42,970,317 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 54,521,948 | \$ 71,092 | \$ - | \$ 54,593,040 |

THE MALALA U.S. FUND AND MALALA FUND NIGERIA
CONSOLIDATING SCHEDULE OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2025

| | THE MALALA FUND U.S. | | | MALALA FUND NIGERIA | | | Eliminations | Total |
|---|----------------------------|-------------------------|----------------------|----------------------------|-------------------------|------------------|--------------|----------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total | | |
| REVENUE AND SUPPORT | | | | | | | | |
| Grants and contributions | \$ 8,631,207 | \$ 5,838,142 | \$ 14,469,349 | \$ 636,171 | \$ - | \$ 636,171 | \$ (636,171) | \$ 14,469,349 |
| Net investment return | 1,564,651 | - | 1,564,651 | - | - | - | - | 1,564,651 |
| Contributed nonfinancial assets | 445,236 | - | 445,236 | 60,359 | - | 60,359 | (60,359) | 445,236 |
| Net assets released from donor restrictions | 9,720,280 | (9,720,280) | - | - | - | - | - | - |
| Total revenue and support | 20,361,374 | (3,882,138) | 16,479,236 | 696,530 | - | 696,530 | (696,530) | 16,479,236 |
| EXPENSES | | | | | | | | |
| Program Services: | | | | | | | | |
| Programs and Advocacy | 17,988,908 | - | 17,988,908 | 542,013 | - | 542,013 | (654,689) | 17,876,232 |
| Communication and Digital | 1,067,173 | - | 1,067,173 | - | - | - | - | 1,067,173 |
| Total program services | 19,056,081 | - | 19,056,081 | 542,013 | - | 542,013 | (654,689) | 18,943,405 |
| Supporting Services: | | | | | | | | |
| Management and General | 2,348,158 | - | 2,348,158 | 131,103 | - | 131,103 | (41,841) | 2,437,420 |
| Fundraising | 1,954,973 | - | 1,954,973 | - | - | - | - | 1,954,973 |
| Total supporting services | 4,303,131 | - | 4,303,131 | 131,103 | - | 131,103 | (41,841) | 4,392,393 |
| Total expenses | 23,359,212 | - | 23,359,212 | 673,116 | - | 673,116 | (696,530) | 23,335,798 |
| Change in net assets | (2,997,838) | (3,882,138) | (6,879,976) | 23,414 | - | 23,414 | - | (6,856,562) |
| Net assets at beginning of year | 30,020,810 | 19,817,541 | 49,838,351 | (11,472) | - | (11,472) | - | 49,826,879 |
| NET ASSETS AT END OF YEAR | \$ 27,022,972 | \$ 15,935,403 | \$ 42,958,375 | \$ 11,942 | \$ - | \$ 11,942 | \$ - | \$ 42,970,317 |