

CONSOLIDATED FINANCIAL STATEMENTS

THE MALALA FUND

**FOR THE YEAR ENDED MARCH 31, 2023
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2022**

THE MALALA FUND

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CPAs & ADVISORS

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 US and The Malala Fund Nigeria (collectively, the Organization), which comprise the consolidated statement of financial position as of March 31, 2023, 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, 2023, 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 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 24, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2022, is consistent, in all material respects, with the audited 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.



September 29, 2023

THE MALALA FUND
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF MARCH 31, 2023
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2022

ASSETS		<u>2023</u>	<u>2022</u>
CURRENT ASSETS			
Cash and cash equivalents	\$	15,681,554	\$ 17,467,662
Investments		29,964,863	15,438,817
Contributions receivable		175,238	130,581
Pledges receivable, net of allowance for doubtful accounts of \$8,204 and \$7,328 for 2023 and 2022, respectively		8,965,266	3,045,182
Prepaid expenses		<u>151,344</u>	<u>94,625</u>
Total current assets		<u>54,938,265</u>	<u>36,176,867</u>
FIXED ASSETS			
Furniture and fixtures		19,172	19,171
Leasehold improvements		154,283	77,190
Less: Accumulated depreciation and amortization		<u>(29,159)</u>	<u>(6,258)</u>
Net fixed assets		<u>144,296</u>	<u>90,103</u>
LONG-TERM ASSETS			
Right-of-use asset		1,481,620	1,667,112
Security deposits		51,128	38,341
Pledges receivable, net of current portion and discount		<u>14,997,303</u>	<u>2,585,048</u>
Total long-term assets		<u>16,530,051</u>	<u>4,290,501</u>
TOTAL ASSETS	\$	<u>71,612,612</u>	\$ <u>40,557,471</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	\$	407,691	\$ 314,479
Accrued salaries and related benefits		307,300	289,625
Grants payable		9,263,764	6,574,104
Operating lease liability		<u>184,998</u>	<u>169,251</u>
Total current liabilities		<u>10,163,753</u>	<u>7,347,459</u>
LONG-TERM LIABILITIES			
Grants payable, net of current portion		2,947,300	2,877,318
Operating lease liability, net of current portion		<u>1,440,366</u>	<u>1,625,364</u>
Total long-term liabilities		<u>4,387,666</u>	<u>4,502,682</u>
Total liabilities		<u>14,551,419</u>	<u>11,850,141</u>
NET ASSETS			
Without donor restrictions		33,907,226	22,867,382
With donor restrictions		<u>23,153,967</u>	<u>5,839,948</u>
Total net assets		<u>57,061,193</u>	<u>28,707,330</u>
TOTAL LIABILITIES AND NET ASSETS	\$	<u>71,612,612</u>	\$ <u>40,557,471</u>

See accompanying notes to financial statements.

THE MALALA FUND

**CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2023
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2022**

	2023			2022
	Without Donor Restrictions	With Donor Restrictions	Total	Total
REVENUE AND SUPPORT				
Contributions and grants	\$ 24,610,935	\$ 30,706,469	\$ 55,317,404	\$ 28,984,346
Investment loss, net	(366,842)	-	(366,842)	(293,236)
Contributed services and materials	186,035	-	186,035	312,706
Other revenue	3,203	-	3,203	1,397
Net assets released from donor restrictions	<u>13,392,450</u>	<u>(13,392,450)</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>37,825,781</u>	<u>17,314,019</u>	<u>55,139,800</u>	<u>29,005,213</u>
EXPENSES				
Program Services:				
Programs and Advocacy	21,340,080	-	21,340,080	16,474,983
Communication and Digital	<u>1,321,933</u>	<u>-</u>	<u>1,321,933</u>	<u>1,452,788</u>
Total program services	<u>22,662,013</u>	<u>-</u>	<u>22,662,013</u>	<u>17,927,771</u>
Supporting Services:				
Management and General	2,536,535	-	2,536,535	1,873,774
Fundraising	<u>1,587,389</u>	<u>-</u>	<u>1,587,389</u>	<u>1,355,701</u>
Total supporting services	<u>4,123,924</u>	<u>-</u>	<u>4,123,924</u>	<u>3,229,475</u>
Total expenses	<u>26,785,937</u>	<u>-</u>	<u>26,785,937</u>	<u>21,157,246</u>
Change in net assets	11,039,844	17,314,019	28,353,863	7,847,967
Net assets at beginning of year	<u>22,867,382</u>	<u>5,839,948</u>	<u>28,707,330</u>	<u>20,859,363</u>
NET ASSETS AT END OF YEAR	<u>\$ 33,907,226</u>	<u>\$ 23,153,967</u>	<u>\$ 57,061,193</u>	<u>\$ 28,707,330</u>

THE MALALA FUND

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MARCH 31, 2023
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2022**

	2023						2022	
	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	\$ 1,457,014	\$ 716,846	\$ 2,173,860	\$ 1,185,010	\$ 1,073,578	\$ 2,258,588	\$ 4,432,448	\$ 3,913,942
Grant expenses	15,887,539	-	15,887,539	-	-	-	15,887,539	12,660,541
Professional services	2,400,502	320,921	2,721,423	539,195	222,287	761,482	3,482,905	2,389,436
Travel, net of refunds	1,040,286	32,998	1,073,284	233,533	32,124	265,657	1,338,941	615,432
Occupancy	126,337	198,835	325,172	58,210	47,555	105,765	430,937	256,621
Meetings and events, net of refunds	194,089	-	194,089	143,282	50	143,332	337,421	56,596
Financial fees	79,551	237	79,788	42,986	76,509	119,495	199,283	138,243
Contributed services and materials	2,230	9,507	11,737	115,867	58,431	174,298	186,035	312,706
Office equipment and software	52,745	22,307	75,052	88,099	19,164	107,263	182,315	363,462
Office expenses	40,903	7,445	48,348	44,035	5,973	50,008	98,356	210,681
Dues, subscriptions, and other expenses	6,475	4,852	11,327	40,002	45,865	85,867	97,194	182,762
Insurance	44,576	-	44,576	38,920	-	38,920	83,496	27,355
Communications	7,833	7,985	15,818	7,396	5,853	13,249	29,067	29,469
TOTAL	\$ 21,340,080	\$ 1,321,933	\$ 22,662,013	\$ 2,536,535	\$ 1,587,389	\$ 4,123,924	\$ 26,785,937	\$ 21,157,246

See accompanying notes to financial statements.

THE MALALA FUND

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2023
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2022**

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 28,353,863	\$ 7,847,967
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	22,901	6,258
Unrealized loss on investments	842,471	362,786
Realized loss	183,961	-
Donated securities received	(504,547)	(1,065,727)
Proceeds from sale of donated securities received	487,999	1,082,736
Realized loss on donated securities	16,548	(16,887)
Change in allowance for doubtful accounts	876	7,328
Change in discount on long-term receivables	2,234,785	11,914
Amortization of right-of-use asset	185,492	105,893
(Increase) decrease in:		
Contributions receivable	(44,657)	41,333
Pledges receivable	(20,568,000)	3,837,373
Prepaid expenses	(56,719)	(53,077)
Security deposits	(12,787)	(32,828)
Increase (decrease) in:		
Accounts payable and accrued liabilities	93,212	(290,049)
Accrued salaries and related benefits	17,675	(2,221)
Operating lease liability	(169,251)	21,610
Grants payable	<u>2,759,642</u>	<u>3,220,738</u>
Net cash provided by operating activities	<u>13,843,464</u>	<u>15,085,147</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets	(77,094)	(96,361)
Purchase of investments	(15,574,578)	(15,806,912)
Proceeds from sale of investments	<u>22,100</u>	<u>753,735</u>
Net cash used by investing activities	<u>(15,629,572)</u>	<u>(15,149,538)</u>
Net decrease in cash and cash equivalents	(1,786,108)	(64,391)
Cash and cash equivalents at beginning of year	<u>17,467,662</u>	<u>17,532,053</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 15,681,554</u>	<u>\$ 17,467,662</u>
SCHEDULE OF NONCASH INVESTING AND FINANCING TRANSACTIONS:		
Right-of-Use Asset	<u>\$ -</u>	<u>\$ 1,773,005</u>
Operating Lease Liability for Right-of-Use Asset	<u>\$ -</u>	<u>\$ 1,773,005</u>

See accompanying notes to financial statements.

THE MALALA FUND
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

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

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

Principles of consolidation -

The accounts of The Malala Fund US have been consolidated with The 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.

Basis of presentation -

The accompanying consolidated financial statements are presented on the accrual basis of accounting, and in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-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". Assets restricted 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, 2023 was \$5,672,587, which are to be used for an operating reserve.

Net Assets With Donor Restrictions - Contributions restricted by donors are reported as increases in "net assets with donor restrictions", depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Consolidated Statement of Activities and Change in Net Assets as net assets released from donor restrictions. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue without donor restrictions when the assets are placed in service.

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. Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements for the year ended March 31, 2022, from which the summarized information was derived.

THE MALALA FUND
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2023

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

New accounting pronouncement adopted -

During the year ended March 31, 2023, the Organization adopted ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which improves generally accepted accounting principles in the United States (U.S. GAAP) by increasing the transparency of contributed nonfinancial assets for not-for-profit (NFP) entities through enhancements to presentation and disclosure. The amendments in this Update address certain stakeholders' concerns about the lack of transparency relating to the measurement of contributed nonfinancial assets recognized by NFPs, as well as the amount of those contributions used in a NFP's programs and other activities.

The ASU was adopted retrospectively and did not change the recognition and measurement requirements for those contributed nonfinancial assets.

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 \$1,218,804 for the year ended March 31, 2023. 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 approximately \$172,570 of cash and cash equivalents held at financial institutions in foreign countries at March 31, 2023. The majority of funds invested in foreign countries are uninsured.

Investments -

Investments are recorded at their readily determinable fair value. Investment loss in the Consolidated Statement of Activities and Change in Net Assets include interest, dividends, realized and unrealized gains and losses, net of investment expenses. 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.

Accounts receivable -

Accounts receivable are recorded at their net realizable value, which approximates fair value. Management considers all amounts to be fully collectable. Accordingly, an allowance for doubtful accounts has not been established.

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 contributions and grants revenue. An allowance for doubtful accounts has been established for one category of pledges, based on review of historical write-offs. All other pledges are considered by management to be fully collectable.

THE MALALA FUND
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2023

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

Grants payables -

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.

Income taxes -

The Malala Fund US 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 consolidated financial statements. The Malala Fund is not a private foundation.

The 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.

Uncertain tax positions -

For the year ended March 31, 2023, 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 consolidated financial statements.

Contributions and grants -

The majority of the Organization activities are supported by grants and contributions from individuals, foundations and other private entities. These awards are for various activities performed by the Organization. Grants and contributions are recognized in the appropriate category of net assets in the period received. The Organization performs an analysis of the individual grant or contribution to determine if the revenue streams follow the contribution rules or if they should be recorded as an exchange transaction depending upon whether the transactions are deemed reciprocal or nonreciprocal under ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*.

For grants and contributions qualifying under the contribution rules, revenue is recognized upon notification of the award and satisfaction of all conditions, if applicable. Contributions and grants qualifying as contributions that are unconditional and 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. Funds in excess of expenses incurred are shown as net assets with donor restrictions in the accompanying consolidated financial statements.

Contributions or grants qualifying as conditional contributions contain a right of return and a barrier. Revenue is recognized when the condition or conditions are satisfied. Some grant awards from foundations and other entities are for direct and indirect program costs. These transactions are nonreciprocal and recognized as contributions when the revenue becomes unconditional. Funds received in advance of the incurrence of qualifying expenditures are recorded as refundable advances. For contributions and grants treated as contributions, the Organization did not have unrecognized conditional awards as of March 31, 2023.

Contributed services and materials -

Contributed services and materials consist of donated consultant services, software and advertising credits.

THE MALALA FUND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2023

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

Contributed services and materials (continued) -

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

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. 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.

Investment 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 various programs and other activities 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 of the Organization are reported as direct expenses to the programmatic area and those expenses that benefit more than one function are allocated on a basis of estimated time and effort. Occupancy and office costs are allocated based on employee headcount per each department.

Fair value measurement -

The Organization adopted the provisions of FASB ASC 820, *Fair Value Measurement*. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances disclosure requirements for fair value measurements. The Organization accounts for a significant portion of its consolidated financial instruments at fair value or considers fair value in their measurement.

Reclassification -

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation. The reclassifications are primarily due to changing the presentation of the right-of-use asset and operating lease liability on the Consolidated Statement of Cash Flows.

THE MALALA FUND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2023

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

New accounting pronouncement not yet adopted -

Accounting Standard Update (ASU) 2016-13, *Financial Instruments – Credit Losses* (Topic 326), replaces the incurred loss impairment methodology in current U.S. GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The ASU is effective for the Organization for the year ending March 31, 2024. The ASU can be applied at the beginning of the earliest period presented using a modified retrospective approach. The Organization plans to adopt the new ASU at the required implementation date and management is currently in the process of evaluating the adoption method and the impact of the new standard on its accompanying consolidated financial statements.

2. INVESTMENTS

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.

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, 2023. Transfers between levels are recorded at the end of the reporting period, if applicable.

- *Money Market Funds* - The 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* - Valued at the closing price reported on the active market in which the individual securities are traded.
- *Fixed Income* - Valued at the closing price reported on the active market in which the individual securities are traded.
- *Exchange Traded Funds* - Fair value is equal to the reported net asset value of the fund, which is the price at which additional shares can be obtained.

THE MALALA FUND

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2023**

2. INVESTMENTS (Continued)

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, 2023.

Asset Class:	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 1,218,804	\$ -	\$ -	\$ 1,218,804
Equities	2,989,375	-	-	2,989,375
Fixed income	25,540,441	-	-	25,540,441
Exchange traded funds	42,696	-	-	42,696
Other	<u>173,547</u>	<u>-</u>	<u>-</u>	<u>173,547</u>
TOTAL	\$ <u>29,964,863</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>29,964,863</u>

Included in investment loss are the following:

Interest and dividends	\$ 698,238
Unrealized loss on investments	(842,471)
Realized loss on sale of investments	(200,509)
Investment fees	<u>(22,100)</u>
TOTAL INVESTMENT LOSS, NET	\$ <u>(366,842)</u>

3. PLEDGES RECEIVABLE

As of March 31, 2023, contributors to the Organization have made unconditional written promises to give, of which \$26,223,470 remained due and outstanding. 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 4.83%. Following is a schedule of amounts due, by year, as of March 31, 2023:

Less than one year	\$ 8,973,470
One to five years	<u>17,250,000</u>
Total	26,223,470
Less: Allowance to discount balance to present value	(2,252,697)
Less: Allowance for uncollectible amounts	<u>(8,204)</u>
TOTAL PLEDGES RECEIVABLE, NET	\$ <u>23,962,569</u>

4. GRANTS PAYABLE

As of March 31, 2023, the Organization's outstanding obligations to its grantees totaled \$12,211,064. Grants authorized and expensed during the year ended March 31, 2023 totaled \$15,887,539. Following is a schedule of future grant payments:

<u>Year Ending March 31,</u>	
2024	\$ 9,263,764
2025	2,568,100
2026	<u>379,200</u>
TOTAL GRANTS PAYABLE	\$ <u>12,211,064</u>

THE MALALA FUND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2023

5. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at March 31, 2023:

Subject to expenditure for specified purpose	\$ 440,223
Subject to passage of time	<u>22,713,744</u>
NET ASSETS WITH DONOR RESTRICTIONS	<u>\$ 23,153,967</u>

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

Purpose restrictions accomplished	\$ 2,235,504
Timing restrictions accomplished	<u>11,156,946</u>
NET ASSETS RELEASED FROM DONOR RESTRICTIONS	<u>\$ 13,392,450</u>

6. CONTRIBUTED SERVICES AND MATERIALS

During the year ended March 31, 2023, the Organization was the beneficiary of donated goods and services which allowed the Organization to provide greater resources toward various programs. Contributed goods and services are based on values provided by the donor. There were no donor-imposed restrictions associated with the in-kind contributions during the year ended March 31, 2023. To properly reflect total program expenses, the following donations have been included in revenue and expense for the year ended March 31, 2023.

Donated software	\$ 36,240
Donated employee benefits	62,400
Donated consulting	33,910
Other donations	<u>53,485</u>
TOTAL	<u>\$ 186,035</u>

The following programs have benefited from these donated goods and services:

Programs and Advocacy	\$ 11,737
Management and General	115,867
Fundraising	<u>58,431</u>
TOTAL	<u>\$ 186,035</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	\$ 15,681,554
Investments	29,964,863
Contributions receivable	175,238
Pledges receivable	<u>23,962,569</u>
Subtotal financial assets available within one year	69,784,224
Less: Board designated funds	(5,672,587)
Less: Donor restricted funds	<u>(23,153,967)</u>
TOTAL FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	<u>\$ 40,957,670</u>

THE MALALA FUND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2023

7. LIQUIDITY AND AVAILABILITY (Continued)

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

During 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.

The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2019-01 related to *Leases* (Topic 842), in order to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the Consolidated Statement of Financial Position and disclosing key information about leasing arrangements for operating leases that are greater than one year in duration. The ASU specifically requires an organization to recognize a right-of-use asset and lease liability, initially measured at the present value of the lease payments in the Consolidated Statement of Financial Position and recognize a single lease cost, calculated so the cost of the lease is allocated over the lease term on a generally straight line basis. The Organization recorded a right-of-use asset in the amount of \$1,773,005. The Organization recorded an operating lease liability in the amount of \$1,773,005 by calculating the present value using a discount rate of 5.25%. As of March 31, 2023, the right-of-use asset totaled \$1,481,620 and the operating lease liability totaled \$1,625,364.

The Organization also has various short-term lease agreements in New York, Lebanon and Islamabad, Pakistan.

The following is a schedule of the future minimum lease payments:

Year Ending March 31,

2024	\$ 266,016
2025	272,666
2026	279,483
2027	313,447
2028	321,283
Thereafter	<u>483,347</u>
	<u>\$ 1,936,242</u>

Rent expense for the year ended March 31, 2023 was \$430,937.

9. 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, 2023 totaled \$103,944 and are included in Personnel in the accompanying Consolidated Statement of Functional Expenses.

THE MALALA FUND
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2023

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, 2023, the Organization made grant payments to The Malala Fund UK totaling \$2,711,013 which is included in grant expenses in the accompanying Statement of Functional Expenses.

11. SUBSEQUENT EVENTS

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through September 29, 2023, the date the consolidated financial statements were issued.

SUPPLEMENTAL INFORMATION

THE MALALA FUND US AND THE MALALA FUND NIGERIA
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
AS OF MARCH 31, 2023

ASSETS				
	<u>The Malala Fund US</u>	<u>The Malala Fund Nigeria</u>	<u>Eliminations</u>	<u>Total</u>
CURRENT ASSETS				
Cash and cash equivalents	\$ 15,649,832	\$ 31,722	\$ -	\$ 15,681,554
Investments	29,964,863	-	-	29,964,863
Contributions receivable	175,238	-	-	175,238
Pledges receivable, net of allowance for doubtful accounts	8,965,266	-	-	8,965,266
Prepaid expenses	145,348	5,996	-	151,344
	<u>54,900,547</u>	<u>37,718</u>	<u>-</u>	<u>54,938,265</u>
FIXED ASSETS				
Furniture and fixtures	19,172	-	-	19,172
Leasehold improvements	154,283	-	-	154,283
Less: Accumulated depreciation and amortization	(29,159)	-	-	(29,159)
	<u>144,296</u>	<u>-</u>	<u>-</u>	<u>144,296</u>
LONG-TERM ASSETS				
Right-of-use asset	1,481,620	-	-	1,481,620
Security deposits	51,128	-	-	51,128
Pledges receivable, net of current portion and discount	14,997,303	-	-	14,997,303
	<u>16,530,051</u>	<u>-</u>	<u>-</u>	<u>16,530,051</u>
	<u>\$ 71,574,894</u>	<u>\$ 37,718</u>	<u>\$ -</u>	<u>\$ 71,612,612</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable and accrued liabilities	\$ 391,451	\$ 16,240	\$ -	\$ 407,691
Accrued salaries and related benefits	307,300	-	-	307,300
Grants payable	9,263,764	-	-	9,263,764
Operating lease liability	184,998	-	-	184,998
	<u>10,147,513</u>	<u>16,240</u>	<u>-</u>	<u>10,163,753</u>
LONG-TERM LIABILITIES				
Grants payable, net of current portion	2,947,300	-	-	2,947,300
Operating lease liability, net of current	1,440,366	-	-	1,440,366
	<u>4,387,666</u>	<u>-</u>	<u>-</u>	<u>4,387,666</u>
	<u>14,535,179</u>	<u>16,240</u>	<u>-</u>	<u>14,551,419</u>
NET ASSETS				
Without donor restrictions	33,885,748	21,478	-	33,907,226
With donor restrictions	23,153,967	-	-	23,153,967
	<u>57,039,715</u>	<u>21,478</u>	<u>-</u>	<u>57,061,193</u>
	<u>\$ 71,574,894</u>	<u>\$ 37,718</u>	<u>\$ -</u>	<u>\$ 71,612,612</u>

THE MALALA US FUND AND THE MALALA FUND NIGERIA
CONSOLIDATING SCHEDULE OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2023

	THE MALALA FUND US			THE MALALA FUND NIGERIA			Eliminations	Total
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total		
REVENUE AND SUPPORT								
Contributions and grants	\$ 24,610,935	\$ 30,706,469	\$ 55,317,404	\$ 476,575	\$ -	\$ 476,575	\$ (476,575)	\$ 55,317,404
Investment loss, net	(366,842)	-	(366,842)	-	-	-	-	(366,842)
Contributed services and materials	186,035	-	186,035	-	-	-	-	186,035
Other revenue	3,203	-	3,203	-	-	-	-	3,203
Net assets released from donor restrictions	13,392,450	(13,392,450)	-	-	-	-	-	-
Total revenue and support	<u>37,825,781</u>	<u>17,314,019</u>	<u>55,139,800</u>	<u>476,575</u>	<u>-</u>	<u>476,575</u>	<u>(476,575)</u>	<u>55,139,800</u>
EXPENSES								
Program Services:								
Programs and Advocacy	21,377,173	-	21,377,173	311,907	-	311,907	(349,000)	21,340,080
Communication and Digital	1,321,933	-	1,321,933	-	-	-	-	1,321,933
Total program services	<u>22,699,106</u>	<u>-</u>	<u>22,699,106</u>	<u>311,907</u>	<u>-</u>	<u>311,907</u>	<u>(349,000)</u>	<u>22,662,013</u>
Supporting Services:								
Management and General	2,520,920	-	2,520,920	143,190	-	143,190	(127,575)	2,536,535
Fundraising	1,587,389	-	1,587,389	-	-	-	-	1,587,389
Total supporting services	<u>4,108,309</u>	<u>-</u>	<u>4,108,309</u>	<u>143,190</u>	<u>-</u>	<u>143,190</u>	<u>(127,575)</u>	<u>4,123,924</u>
Total expenses	<u>26,807,415</u>	<u>-</u>	<u>26,807,415</u>	<u>455,097</u>	<u>-</u>	<u>455,097</u>	<u>(476,575)</u>	<u>26,785,937</u>
Change in net assets	11,018,366	17,314,019	28,332,385	21,478	-	21,478	-	28,353,863
Net assets at beginning of year	22,867,382	5,839,948	28,707,330	-	-	-	-	28,707,330
NET ASSETS AT END OF YEAR	<u>\$ 33,885,748</u>	<u>\$ 23,153,967</u>	<u>\$ 57,039,715</u>	<u>\$ 21,478</u>	<u>\$ -</u>	<u>\$ 21,478</u>	<u>\$ -</u>	<u>\$ 57,061,193</u>