

MALOTO INC.
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

MALOTO INC.
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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Maloto, Inc.

We have audited the accompanying financial statements of Maloto, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statement of activities, expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Maloto, Inc. as of June 30, 2019, and the changes 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.

Report on Summarized Comparative Information

We have previously audited Maloto, Inc.'s June 30, 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 20, 2018. In our opinion, the summarized comparative information presented herein, as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Emphasis of Matter

In 2018, Maloto, Inc. adopted Accounting Standards Update (ASU) No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. Our opinion is not modified with respect to these matters.

Berard + Associates CPA's PC

Berard & Associates, CPA's P.C.
Suffern, New York
September 4, 2019

MALOTO INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018

	2019	2018
ASSETS		
Cash	\$ 122,922	\$ 305,046
Prepaid Expense	3,510	1,047
Security Deposit	2,550	-
Furniture and Equipment, net of accumulated depreciation of \$7,017 and \$7,017, respectively	-	-
TOTAL ASSETS	\$ 128,982	\$ 306,093
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Accounts Payable and Payroll Liabilities	\$ 36,571	\$ 22,595
TOTAL LIABILITIES	36,571	22,595
NET ASSETS		
Net Assets Without Donor Restrictions	60,248	212,489
Net Assets With Donor Restrictions	32,163	71,009
TOTAL NET ASSETS	92,411	283,498
TOTAL LIABILITIES AND NET ASSETS	\$ 128,982	\$ 306,093

See accompanying notes and independent auditor's report.

MALOTO INC.
 STATEMENTS OF ACTIVITIES
 FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	Without Donor Restricted	With Donor Restricted	2019 Total	2018
Revenue and Public Support				
Contributions	\$ 575,545	\$ 213,748	\$ 789,293	\$ 970,935
In-Kind Revenue	101,279	-	101,279	35,882
Special Events Revenue	146,384	-	146,384	297,033
Special Events Expenses	(17,302)	-	(17,302)	(74,401)
Net Assets Released from Restrictions	252,594	(252,594)	-	
Total Revenue and Public Support	1,058,500	(38,846)	1,019,654	1,229,449
Expenses:				
Program Services	977,471	-	977,471	962,084
Management and General	141,479	-	141,479	119,093
Fund Raising	91,791	-	91,791	71,835
Total Expenses	1,210,741	-	1,210,741	1,153,012
Change in Net Assets	(152,241)	(38,846)	(191,087)	76,437
Net assets, beginning of year	212,489	71,009	283,498	207,061
Net assets, end of year	\$ 60,248	\$ 32,163	\$ 92,411	\$ 283,498

See accompanying notes and independent auditor's report.

MALOTO INC.
STATEMENT OF EXPENSES
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

Expenses:	Program	General and Administration	Fundraising	2019 Total	2018 Total
Salaries	\$ 101,550	\$ 5,905	\$ 4,847	\$ 112,302	\$ 137,751
In-Kind Services	-	76,500	13,500	90,000	35,882
Payroll taxes & Employee Benefits	9,921	577	473	10,971	11,914
Total Salaries & related expenses	111,471	82,982	18,820	213,273	185,547
Wingo Development Support	-	-	56,292	56,292	22,275
Kwithu Kitchen	157,680	-	-	157,680	143,115
Kwithu Women's Group	308,463	-	-	308,463	295,740
Mzuzu Academy	351,661	-	-	351,661	348,061
Malawi Emergency Assistance	23,360	-	-	23,360	41,230
MIA Infrastructure & Marketing	103	-	-	103	20,645
Accounting fees	-	30,700	-	30,700	21,055
Insurance	463	1,853	-	2,316	2,062
Occupancy	-	6,000	16,356	22,356	15,858
Office supplies	-	17,122	-	17,122	17,492
Postage, Mailing Service	-	95	223	318	642
Telephone, Telecommunications	1,591	298	100	1,989	2,005
Travel	21,351	436	-	21,787	33,550
Outside Contractors	1,328	1,993	-	3,321	3,264
Depreciation Expense	-	-	-	-	471
Total Expenses	\$ 977,471	\$ 141,479	\$ 91,791	\$ 1,210,741	\$ 1,153,012

See accompanying notes and independent auditor's report.

MALOTO INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

CASH FLOWS FROM OPERATING ACTIVITIES	2018	2017
Increase (decrease) in unrestricted net assets	\$ (191,087)	\$ 76,437
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	-	471
(Increase) Decrease in Prepaid Expenses	(2,463)	6,640
(Increase) Decrease in Security Deposit	(2,550)	-
Increase (Decrease) in Accounts Payable and Payroll Liabilities	13,976	15,495
 Net Cash Provided by Operating Activities	 (182,124)	 99,043
 CASH FLOWS FROM INVESTING ACTIVITIES:		
None	-	-
Total Cash Flows provided/(used) by Investing Activities	-	-
 CASH FLOWS FROM FINANCING ACTIVITIES:		
None	-	-
Total Cash Flows provided/(used) by Financing Activities	-	-
Net Increase/(Decrease) in Cash	(182,124)	99,043
Cash and Cash Equivalents, Beginning	305,046	206,003
Cash and Cash Equivalents, Ending	\$ 122,922	\$ 305,046
 SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Interest	\$ -	\$ -
Taxes	N/A	N/A
In-Kind	\$ 101,279	\$ 35,882

See accompanying notes and independent auditor's report.

MALOTO INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND JUNE 30, 2018

NOTE 1 – NATURE OF ORGANIZATION

Maloto, Inc. is a non-profit organization dedicated to improving the lives of some of the most vulnerable women and children in northern Malawi by feeding, educating and empowering. Maloto is rooted in the belief that, through access to education and economic development activities, women and children can improve their quality of life and lift themselves out of poverty. We accomplish this by providing financial and technical assistance to three effective local organizations: Kwithu Women's Group, Mzuzu International Academy, and Kwithu Kitchen. Together, these organizations provide a continuum of services that can be accessed throughout a beneficiary's lifetime and also provide a holistic solution for health, educational, social and economic needs.

Against this landscape, Maloto, meaning "dreams" in the local language, was formed in 2007 by a group of Malawians living in the United States in direct response to the specific challenges facing their communities in northern Malawi. These issues of poverty, HIV/AIDS, and lack of educational opportunities called out to them for intervention.

Maloto, Inc. is exempt from Federal income tax under Sec 501(c)(3) of the Internal Revenue Code. Maloto, Inc. is primarily funded by contributions.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of Maloto, Inc. have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Recently Issued Accounting Standards

The Financial Accounting Standard Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, Presentation of Financial Statements of Not-for-Profit Entities. Maloto Inc. adopted the provisions of this new standard during the year ended June 30, 2019. In addition to changes in terminology used to describe categories of net assets throughout the financial statements, new disclosures were added regarding liquidity and the availability of resources, and disclosures related to functional allocation of expenses was expanded.

Use of Estimates

The preparation of 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash and highly liquid instruments with maturities, when acquired, of three months or less.

MALOTO INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND JUNE 30, 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Furniture and Equipment

Fixed assets are recorded and capitalized at cost. Items with a cost of \$1,500 or greater and an estimated useful life in excess of one year are capitalized. Depreciation is recorded on the straight-line method over the estimated useful lives of the assets.

Estimated useful lives are as follows:

Furniture and Equipment	3-7 years
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Financial Statement Presentation

The classification of a not-for-profit organization's net assets and its support, revenue and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of two classes of net assets, with donor restrictions and without donor restrictions be displayed in a statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a statement of activities. These classes are defined as follows:

Net Assets with Donor Restrictions

Net assets with Donor Restrictions are donations subject to donor restrictions. Some donor restrictions are temporary in nature, such as those that will be met by the passage of time or events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that the resources be maintained in perpetuity. Donor-imposed restrictions are released as restrictions expire, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled or both.

It is the policy of The Organization to account for donor restricted funds, which are received and expended in the same year to be recorded as unrestricted.

Net Assets without Donor Restrictions

Net Assets without Donor Restrictions are available for use in operations and are not subject to donor restrictions. The Board of Directors can designate, from net assets without donor restrictions, net assets for an operating reserve for current expenses. The Board designations could be drawn upon if the Board approves the action.

Contributions

Contributions received are recorded as with donor restrictions or without donor restrictions depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor, including pledges, is reported as an increase in with donor restrictions. When a donor restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), with donor restrictions net assets are reclassified to without donor restrictions net assets and reported in the statement of activities as net assets released from restrictions.

MALOTO INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND JUNE 30, 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributed to more than one program or support function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Payroll and related expenses are charged to the appropriate department based upon an estimate determined by the executive director. All other expenses are allocated to program and supporting services based upon usage.

Awards and Grants

Maloto, Inc. provides awards and grants to not-for-profit organizations in Malawi in support of its exempt purposes, which are recorded when awarded.

Uncertainty in Income Taxes

Maloto, Inc. recognizes the tax benefit associated with tax positions taken for tax return purposes when it is more likely than not the position will be sustained upon examination by a taxing authority. Maloto, Inc., does not believe they have taken any material uncertain tax positions and, accordingly, they have not recorded any liability for unrecognized tax benefits. Maloto, Inc. has filed for and received income tax exemptions in the jurisdictions where required to do so.

NOTE 3 – PROGRAM NOTE

Maloto's emphasis on local solutions to local problems underlies our participatory community development approach and focus on self-reliance. We believe that solutions generated by the local people ensure that development remains relevant to their lives, builds on their knowledge and is sustained by them.

Kwithu Women's Group

Kwithu, which translated means "home", was formed in 2005 by an inspiring group of women who came together to provide assistance to the large number of orphans living in the outskirts of Mzuzu, Malawi even though they themselves had limited means. The Kwithu Orphan Feeding Program was originally conceived to provide hot meals to these orphaned children at a temporary, make-shift community center consisting of a dirt floor and a thatched roof. In 2010, Maloto provided funding for construction of a permanent building to replace this temporary shelter. This new structure has allowed the group to greatly expand its capacity and feed many more children. The feeding program now serves hot, nutritious meals to over 300 children three times a week. For many of these children, this is the most nutritious food they will receive all week.

MALOTO INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND JUNE 30, 2018

NOTE 3 – PROGRAM NOTE (CONT.)

Kwithu is a dynamic, community-based organization and has greatly expanded its activities and its reach. In addition to the feeding program, the Group now operates a number of other initiatives for vulnerable children and families in the community, including:

- before- and after-school tutoring and recreation programs for over 270 children,
- an HIV/AIDS information and education service, which supports more than 60 HIV+ children and their families and conducts information and education campaigns in the broader community,
- an early childhood education program which provides two full-day learning programs for 30 children, ages 3-5 years,
- providing scholarships for over 60 local orphans and vulnerable children to attend local secondary schools and Malawian Universities, and
- the development of income-generation projects for women in the community who often bear the burden of providing for their families alone.

The Group also owns and operates its own garden, which not only provides food for the feeding program, but also produces excess produce that is sold in local markets and given to the neediest of families within the Group.

Mzuzu International Academy

In 2003, Maloto's founder, Anna Msowoya, and a group of local community leaders in northern Malawi identified the lack of educational opportunities created by the critical shortage of secondary schools as one of the most urgent challenges in the region: Malawi has lost a generation to HIV/AIDS and cannot afford to lose another generation due to a lack of education. They raised over \$600,000 and, in September of 2010, Mzuzu International Academy was opened with 35 students – the first internationally accredited school in northern Malawi. In 2013, Mzuzu International Academy expanded to include an international primary school. Currently there are almost 200 students attending school at Mzuzu Academy. At this time, Maloto provides a small annual operating subsidy to Mzuzu Academy, which is primarily supported by tuition and boarding fees. Maloto provides scholarships to over 20 local vulnerable children to attend Mzuzu Academy. Maloto also provides some funding for capital improvement projects as needed.

Kwithu Kitchen

In 2010, the 20 women associated with the Kwithu Women's Group, in conjunction with several Maloto Board Members, recognized that tomatoes, among the country's most important natural resources, were not being well utilized because of the existing agricultural system's limitations. The organization took an entrepreneurial approach to addressing the matter. Leaders of Kwithu Kitchen brought the women together with the Board Members and developed a simple but potent system whereby locally grown tomatoes are jarred in sizable quantities for year-round use. Kwithu Kitchen is an exciting entrepreneurial business producing the first locally made (in all of Malawi) preserved tomato product called Kwithu Kitchen Garden Fresh Tomatoes. All other preserved tomato products are imported from South Africa, and even as far away as Europe. Today, Kwithu Kitchen Garden Fresh Tomatoes can be found on shelves in area grocery stores and hotels and the women are considering the development of other products, as well as more cost-effective packaging.

MALOTO INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND JUNE 30, 2018

NOTE 3 – PROGRAM NOTE (CONT.)

In 2014, Kwithu Kitchen was awarded a highly competitive and prestigious matching investment grant from the Malawian Innovation Challenge Fund (MICF), an entity principally supported by the United Nations and the British government. This allowed for the physical development of the business operation as well as providing training to staff. The MILF grant was completed in December 2018. In early 2016, Kwithu Kitchen applied for and received a prestigious grant from the United States Agricultural Development Fund (USADF). The (USADF) was completed in October 2018. This grant for \$80,000 was put toward capacity-building activities such as market research. Upon completion of those activities, Kwithu Kitchen was automatically requested to apply for a \$250,000 grant toward expenses. This influx of resources permitted Kwithu Kitchen to further build capacity, increase production, develop a marketing function and thereby prepare for considerable expansion. The ultimate goal is to make Kwithu Kitchen a viable business, which would provide employment for up to 50 people and a means of regular income for up to 500 farmers. The success with this project could lead to additional such projects within the community and possibly in all of Malawi.

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2019 and 2018 (for comparative purposes only) consist of the following:

	2019	2018
Furniture and Equipment	\$7,487	\$ 7,487
Less: Accumulated Depreciation	(7,487)	(7,487)
	<u>\$ 0</u>	<u>\$ 0</u>

Depreciation expense for the years ended 2019 and 2018 were \$0 and \$471 respectively.

NOTE 5- TEMPORARILY RESTRICTED NET ASSETS

Net assets are available for the following purposes as of June 30, 2019:

	06/30/2018	FY19 Additions	FY19 Releases	06/30/2019
Emergency Assistance	\$150	-	-	\$150
Mzuzu School Construction	30,000	100,000	(130,000)	-
Mzuzu Int'l Academy	14,476	-	(14,476)	-
Kwithu Kitchen	11,613	43,000	(54,613)	-
MIA General	2,330	7,388	(9,718)	-
Scholarship-Supplemental	-	7,500	(7,500)	-
Early Childhood Education	-	40,000	(8,000)	32,000
Kwithu CBO	12,427	-	(12,427)	-
Scholarships-Walani	12	15,860	(15,860)	12
	<u>\$71,008</u>	<u>\$213,748</u>	<u>\$(252,594)</u>	<u>\$32,162</u>

MALOTO INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND JUNE 30, 2018

NOTE 6 CONCENTRATION OF CREDIT RISK

The Organization derives most of its income from contributions. During the year ended June 30, 2019, 54% of its contribution income came from one donor. Should this donor cease to contribute, it could have a material effect on the organization.

The Organization maintains balances in one bank. The balance at each financial institution is insured by the Federal Deposit Insurance Corporation limit of up to \$250,000. At June 30, 2019 the Organization cash account did not exceed the insured balance.

NOTE 7 CONTINGENCIES

A new lease in New York City began November 2018 through April 2020 for \$1,275 per month. There is \$12,750 due in the coming year.

NOTE 8 IN-KIND CONTRIBUTIONS

The Organization recorded In-Kind administrative service of \$90,000, facilities of \$9,555 and goods of \$1,724 June 30, 2019 \$34,000 administrative services, and \$1,482 of fund raising services were recorded in June 30, 2018. Maloto, Inc. receives other donated services from unpaid volunteers; however, the amounts were not recorded since they do not meet the criteria required for donated services.

NOTE 9 LIQUIDITY AND FUNDS AVAILABLE

The management follows the prepared budget for programmatic expenditures. The Board meets quarterly to oversee and ensure that the funds are disbursed accordingly.

Maloto's financial assets available within one year of the statements of financial position date for general expenditure are as follows:

Financial Assets:	
Cash and cash equivalents	<u>\$ 122,922</u>
Financial assets, at year-end	122,922
Less those unavailable for general expenditure within one year due to:	
Donor Restricted Funds	<u>(32,163)</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 90,759</u>

NOTE 10 SUBSEQUENT EVENTS

Subsequent events have been evaluated through September 4, 2019, which is the date the financial statements were available to be issued.