

MALOTO, INC.

Financial Statements
Years Ended
June 30, 2022 and 2021

MALOTO, INC.

Table of Contents
Years Ended
June 30, 2022 and 2021

	<u>Page #</u>
Independent Auditor's Report	1-2
Financial Statements:	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5-6
Statements of Cash Flows	7
Notes to Financial Statements	8-14

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
of Maloto, Inc

Opinion

We have audited the accompanying financial statements of Maloto, Inc (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 Financial Statements section of our report. We are required to be independent of Maloto, Inc and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Maloto Inc's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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. 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 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 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 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 Maloto Inc.'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Maloto Inc'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.

Berard & Associates CPA's P.C.

Berard & Associates, CPA's P.C.
Suffern, New York 10901
September 1, 2022

MALOTO, INC.
 Statements of Financial Position
 June 30, 2022 and 2021

	2022	2021
ASSETS		
Cash	\$ 170,602	\$ 96,205
Contributions receivable	-	3,000
Prepaid expense	42,842	28,396
Security deposit	2,550	2,550
Equipment	7,076	11,002
Total Assets	\$ 223,070	\$ 141,153
LIABILITIES AND EQUITY		
Accounts payable and payroll liabilities	\$ 32,020	\$ 7,351
Total Liabilities	32,020	7,351
Net Assets		
Without donor restrictions	172,083	133,801
With donor restrictions	18,964	-
Total net assets	191,047	133,801
Total liabilities and net assets	\$ 223,067	\$ 141,152

See notes to financial statements.

MALOTO, INC.
 Statements of Activities
 Years Ended June 30, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Public Support						
Contributions	\$ 854,218	\$ 156,493	\$ 1,010,711	\$ 904,444	\$ 145,992	\$ 1,050,436
In-Kind revenue	90,000	-	90,000	90,000	-	90,000
Special events revenue	336,817	-	336,817	6,050	-	6,050
Special events expenses	(110,641)	-	(110,641)	(59)	-	(59)
PPP revenue	-	-	-	4,094	-	4,094
Investment revenue	(3,924)	-	(3,924)	4,660	-	4,660
Net assets released from restrictions	137,529	(137,529)	-	145,992	(145,992)	-
Total Revenue and Public Support	1,303,999	18,964	1,322,963	1,155,181	-	1,155,181
Expenses						
Program services	1,048,086	-	1,048,086	885,882	-	885,882
Management and general	183,794	-	183,794	174,519	-	174,519
Fundraising	33,837	-	33,837	52,308	-	52,308
Total expenses	1,265,717	-	1,265,717	1,112,709	-	1,112,709
Change in net assets	38,282	18,964	57,246	42,472	-	42,472
Net assets, beginning of year	133,801	-	133,801	91,329	-	91,329
Net assets, end of year	\$ 172,083	\$ 18,964	\$ 191,047	\$ 133,801	\$ -	\$ 133,801

See notes to financial statements.

MALOTO, INC
Statement of Functional Expenses
Year Ended June 30, 2022

	Program	General and Administration	Fundraising	Direct cost of donor benefits	Total Expenses
Salaries	\$ 136,844	\$ 20,786	\$ 15,590	\$ -	\$ 173,220
In-Kind Services	-	88,200	1,800	-	90,000
Payroll taxes	11,319	1,719	1,290	-	14,328
Employee Benefits	18,783	7,015	2,552	-	28,350
	166,946	117,720	21,232	-	305,898
Development and marketing	-	-	9,058	-	9,058
Kwithu Kitchen	185,490	-	-	-	185,490
Kwithu Women's Group	337,562	-	-	-	337,562
Mzuzu Academy	349,238	-	-	-	349,238
Professional fees	-	30,403	-	-	30,403
Insurance	770	3,082	-	-	3,852
Occupancy	-	14,916	1,657	-	16,573
Office expenses	-	13,473	1,497	-	14,970
Travel	7,740	158	-	-	7,898
Meals and Entertainment	-	-	-	110,641	110,641
Outside contractors	340	509	-	-	849
Depreciation expense	-	3,533	393	-	3,926
Total expenses by function	1,048,086	183,794	33,837	110,641	1,376,358
Less: Expenses included with revenues on the statement of activities	-	-	-	(110,641)	(110,641)
Total functional expenses	<u>\$ 1,048,086</u>	<u>\$ 183,794</u>	<u>\$ 33,837</u>	<u>\$ -</u>	<u>\$ 1,265,717</u>

See notes to financial statements.

MALOTO, INC
Statement of Functional Expenses
Year Ended June 30, 2021

	Program	General and Administration	Fundraising	Direct cost of donor benefits	Total Expenses
Salaries	\$ 131,140	\$ 14,940	\$ 19,920	\$ -	\$ 166,000
In-Kind Services	-	88,200	1,800	-	90,000
Payroll taxes	9,560	1,089	1,452	-	12,101
Employee Benefits	16,062	1,830	2,440	-	20,332
	156,762	106,059	25,612		288,433
Development and marketing	-	-	25,882	-	25,882
Kwithu Kitchen	125,197	-	-	-	125,197
Kwithu Women's Group	315,438	-	-	-	315,438
Mzuzu Academy	284,351	-	-	-	284,351
Professional fees	-	31,746	-	-	31,746
Insurance	523	2,093	-	-	2,616
Occupancy	-	16,338	-	-	16,338
Office expenses	-	15,475	814	-	16,289
Travel	3,090	63	-	-	3,153
Meals and Entertainment	-	-	-	59	59
Outside contractors	521	781	-	-	1,302
Depreciation expense	-	1,964	-	-	1,964
Total expenses by function	885,882	174,519	52,308	59	1,112,768
Less: Expenses included with revenues on the statement of activities	-	-	-	(59)	(59)
Total functional expenses	\$ 885,882	\$ 174,519	\$ 52,308	\$ -	\$ 1,112,709

See notes to financial statements.

MALOTO, INC.
 Statements of Cash Flows
 Years Ended June 30, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 57,246	\$ 42,472
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Changes in operating assets and liabilities		
Depreciation expense	3,926	1,964
Pledges receivable	3,000	(3,000)
Prepaid expenses	(14,446)	-
Accounts payable and payroll liabilities	24,669	(27,547)
Deferred revenue	-	(4,094)
Cash provided (used) by operating activities	74,395	9,795
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Equipment	-	(12,966)
Cash provided/(used) by investing activities	-	(12,966)
 CASH FLOWS FROM FINANCING ACTIVITIES		
Donated Stock	(136,337)	(136,337)
Stock sold	136,337	136,337
Cash provided (used) by financing activities	-	-
 Net Increase/(Decrease) in Cash	74,395	(3,171)
 Cash and cash equivalents, Beginning	96,204	99,375
 Cash and cash equivalents, Ending	\$ 170,599	\$ 96,204

SUPPLEMENTAL INFORMATION

Interest	\$	-	\$	-
Taxes		N/A		N/A
In-Kind	\$	90,000	\$	90,000

See notes to financial statements.

MALOTO INC.
Notes to Financial Statements
June 30, 2022 and 2021

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 (aka Kwithu CBO), 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with U.S generally accepted accounting principles (US GAAP), which require Maloto, Inc. to report information regarding its financial position and activities according to the following net asset classifications, with or without donor restrictions.

Basis of Presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions. Net assets with donor restrictions are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, such as those that the donor stipulates that resources be maintained in perpetuity.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

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.

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents, unless the investments are held for meeting restrictions for purchase of property and equipment, payment of long-term debt, or endowment.

MALOTO INC.
Notes to Financial Statements
June 30, 2022 and 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Promises to Give

Unconditional promises to give are recognized as revenues in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Contributions as of 2022 and 2021 were current and do not reflect any discounts or bad debts.

Donors' expressions of intention to give in the future, not constituting unconditional promises to give, are not reflected in the accompanying financial statements.

Property and Equipment

The Organization capitalizes all expenditures for property and equipment in excess of \$1,500. Purchases of property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the useful lives of the assets.

Impairment of Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an assets may not be recoverable. No impairment was identified at June 30, 2022 and 2021.

Revenue With and Without Donor Restrictions

Contributions received are recorded as increases in net assets without donor restrictions and net assets with donor restrictions, depending on the existence and/or nature of any donor restrictions.

Donated Services

Donated services are recognized as contributions if the services create or enhance nonfinancial assets or require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. The Executive Director donates her time to Maloto, Inc. The value of those services have been determined to be \$90,000 for the years ending June 30, 2022 and 2021.

Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities. The Statement of Functional Expenses presents the natural classification of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include occupancy and depreciation, which are allocated on a square footage basis, as well as personnel costs, professional services, office expenses, information technology, insurance, and other, which are allocated on the basis of estimates of time and effort.

MALOTO INC.
Notes to Financial Statements
June 30, 2022 and 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. On an ongoing basis, management evaluates the estimates and assumptions based on new information. Management believes that the estimates and assumptions are reasonable in the circumstances; however, actual results could differ from those estimates.

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.

Income Tax Status

The Organization is exempt from federal income tax under Section 501(c) (3), though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the code. Maloto, Inc. has processes presently in place to ensure the maintenance of its tax-exempt status: to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. Maloto, Inc has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

NOTE 3 – PROGRAMS

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 (aka Kwithu CBO)

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
June 30, 2022 and 2021

NOTE 3 – PROGRAMS - Continued

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 60 children, ages 3-5 years,
- providing scholarships for over 70 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 over 375 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 its first commercial product: a naturally preserved whole tomato product, called Garden Fresh Tomatoes. Responding to consumer demand, Kwithu Kitchen developed popular Chopped Tomato and Tomato Puree products.

Since 2014, Kwithu Kitchen has built tomato and honey processing facilities and built relationships with more than 750 small-holder farmers and beekeepers.

MALOTO INC.
Notes to Financial Statements
June 30, 2022 and 2021

NOTE 3 – PROGRAMS - Continued

Kwithu Kitchen - Continued

In 2020, Kwithu Kitchen received government approval to begin selling honey products. KK quickly became the country’s largest honey processor and supplier (processing and selling more than 40 tons of honey annually). Kwithu Kitchen’s tomato and honey products can be found in all of the country’s major supermarket and hotel chains.

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 1,000 small-holder famers and beekeepers. A portion of Kwithu Kitchen’s sales is donated to the Kwithu Women’s Group to support their programs (described above).

NOTE 4 – PROMISES TO GIVE

Unconditional promises to give that are expected to be collected within one year are recorded at are written off unless the donors indicate that payment is merely postponed. Conditional promises to give are not recognized in the financial statements until the conditions are substantially met. Unconditional promises to give at June 30, 2022 and 2021 were \$0 and \$3,000, respectively.

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

<u>Description</u>	<u>2022</u>	<u>2021</u>	<u>Estimated Useful Life</u>
Equipment	\$ 12,966	\$ 12,966	3-5 years
Accumulated Depreciation	<u>(5,890)</u>	<u>(1,964)</u>	
Total	<u>\$ 7,076</u>	<u>\$ 11,002</u>	

The depreciation expense for June 30, 2022 and 2021 was \$3,926 and \$1,964, respectively.

NOTE 6 - CONCENTRATION OF CREDIT RISK

The Organization derives most of its income from contributions. During the year ended June 30, 2022, 44% of its income came from one donor. During the year ended June 30, 2021, 55% of its income came from the same donor Should this donor cease to contribute, it could have a material effect on the organization.

Maloto maintains cash in one bank. The bank accounts are insured by the Federal Deposit Insurance Corporation (FDIC) on balances up to \$250,000 at each bank. There were no bank account balances in excess of the FDIC insured limits as of June 30, 2022 or 2021.

MALOTO INC.
Notes to Financial Statements
June 30, 2022 and 2021

NOTE 7 – LEASES

A new lease in New York City began May 2022 through June 30, 2023 with monthly payments of \$1,300 per month. Rental payments for the years ended June 30, 2022 and 2021 were \$15,600 and \$15,722, respectively. The future commitment is \$13,000 for the year ended June 30, 2023.

NOTE 8 - RELATED PARTIES

The President of Maloto and the Chief Operating Officer are married.

NOTE 9 – PAYCHECK PROTECTION PROGRAM (PPP)

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic. The Paycheck Protection Program was established under the Federal CARES Act to help Organizations to continue to pay their workers. On May 1, 2020, Maloto, Inc. applied for and received \$29,517, calculated as 2.5 times their monthly salaries. Maloto obtained forgiveness for the entire loan on March 23, 2021. Maloto, Inc. recognized PPP revenue of \$0 during the year ended June 30, 2022, and \$4,094 during June 30, 2021.

NOTE 10 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets are available for the following purposes as of June 30, 2022:

Purpose	Beginning Balance	Revenues	Net Assets Released	Ending Balance
Mzuzu School (HS)	\$ -	\$ 21,493	\$ (21,493)	\$ -
Mzuzu construction	-	135,000	(116,036)	18,964
	<u>\$ -</u>	<u>\$156,493</u>	<u>\$(137,529)</u>	<u>\$18,964</u>

Net assets are available for the following purposes as of June 30, 2021:

Purpose	Beginning Balance	Revenues	Net Assets Released	Ending Balance
Kwithu CBO	\$ -	\$ 7,892	\$ (7,892)	\$ -
Kwithu Kitchen	-	38,100	(38,100)	-
Mzuzu construction	-	50,000	(50,000)	-
Mzuzu Academy	-	50,000	(50,000)	-
	<u>\$ -</u>	<u>\$145,992</u>	<u>\$(145,992)</u>	<u>\$ -</u>

MALOTO INC.
Notes to Financial Statements
June 30, 2022 and 2021

NOTE 11 - LIQUIDITY AND FUNDS AVAILABLE

The following table reflects the Organization's financial assets as of June 30, 2022 and 2021, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within three months, or because the Board has set aside the funds for specific reserve or long-term investments as Board designated. Board designations could be drawn upon if the Board approves that action.

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

Financial Assets:	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 170,602	\$ 96,205
Contributions receivable	<u>-</u>	<u>3,000</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 170,602</u>	<u>\$ 99,205</u>

Maloto carefully monitors its budget on a regular basis. Maloto solely relies on its donors should there be a cash shortfall.

NOTE 12 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through September 1, 2022, which is the date the financial statements were available to be issued.