

**YAMBA MALAWI, INC.**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**

## C O N T E N T S

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT.....	1-2
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION.....	3
STATEMENTS OF ACTIVITIES.....	4
STATEMENTS OF CASH FLOWS.....	5
NOTES TO FINANCIAL STATEMENTS.....	6-10
SUPPLEMENTARY INFORMATION	
STATEMENT OF FUNCTIONAL EXPENSES.....	11-12



## BURZENSKI & COMPANY, PC

CERTIFIED PUBLIC ACCOUNTANTS & FINANCIAL CONSULTANTS

JOHN R. BURZENSKI, CPA  
RALPH L. RICCIARDELLI, CPA  
GARY I. GLASSMAN, CPA  
MELODY MANN FOX, CPA  
WILLIAM S. KALINOWSKI, CPA

### INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Yamba Malawi, Inc.

We have audited the accompanying financial statements of Yamba Malawi, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2017, and the related statements of activities and cash flows for the years 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 audits. We conducted our audits 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 auditors' 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 Yamba Malawi, Inc. as of December 31, 2017, 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.



BURZENSKI & COMPANY, PC

CERTIFIED PUBLIC ACCOUNTANTS & FINANCIAL CONSULTANTS

## **Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The statement of functional expenses on pages 11-12 is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

*Burzenski & Company*

Certified Public Accountants

East Haven, CT

August 29, 2018

**YAMBA MALAWI, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2017**

	Assets	
	<u>2017</u>	<u>2016</u>
Current Assets		
Cash	\$ 643,140	\$ 569,519
Pledges receivable (Note 1)	107,525	90,400
Investments (Note 2)	10,074	3,395
Prepaid expenses	10,150	4,550
Total Current Assets	<u>770,889</u>	<u>667,864</u>
Other Assets		
Fixed assets net of accumulated depreciation (Note 3)	26,617	37,322
Security deposit	15,195	15,195
Intangible assets, net of accumulated amortization (Note 4)	-	-
Total other assets	<u>41,812</u>	<u>52,517</u>
 Total Assets	 <u>\$ 812,701</u>	 <u>\$ 720,381</u>
	Liabilities and Net Assets	
Current Liabilities		
Accounts payable and accrued expenses	\$ 22,350	\$ 29,293
Net Assets		
Unrestricted	<u>790,351</u>	<u>691,088</u>
 Total Liabilities and Net Assets	 <u>\$ 812,701</u>	 <u>\$ 720,381</u>

**See independent auditors' report and notes to financial statements.**

**YAMBA MALAWI, INC.**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2017 Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2016 Total</u>
<b>SUPPORT AND REVENUE</b>						
Cash contributions	306,002	-	306,002	387,582	-	387,582
In-kind contributions	181,841	-	181,841	221,649	-	221,649
Total Contributions	<u>487,843</u>	<u>-</u>	<u>487,843</u>	<u>609,231</u>	<u>-</u>	<u>609,231</u>
Fundraiser receipts	1,017,395	-	1,017,395	847,219	-	847,219
Less: fundraiser expenses	(120,094)	-	(120,094)	(114,263)	-	(114,263)
Net Fundraiser Receipts	<u>897,301</u>	<u>-</u>	<u>897,301</u>	<u>732,956</u>	<u>-</u>	<u>732,956</u>
Investment income	1,793	-	1,793	(2,959)	-	(2,959)
Other revenue	6,498	-	6,498	7,546	-	7,546
	<u>1,393,435</u>	<u>-</u>	<u>1,393,435</u>	<u>1,346,774</u>	<u>-</u>	<u>1,346,774</u>
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>						
Satisfaction of program restrictions (Note 5)	-	-	-	-	-	-
Total Support and Revenue	<u>1,393,435</u>	<u>-</u>	<u>1,393,435</u>	<u>1,346,774</u>	<u>-</u>	<u>1,346,774</u>
<b>EXPENSES</b>						
Program operations	1,171,771	-	1,171,771	1,177,575	-	1,177,575
Management and administration	31,032	-	31,032	27,195	-	27,195
Fundraising	91,369	-	91,369	98,578	-	98,578
Total Expenses	<u>1,294,172</u>	<u>-</u>	<u>1,294,172</u>	<u>1,303,348</u>	<u>-</u>	<u>1,303,348</u>
CHANGES IN NET ASSETS	99,263	-	99,263	43,426	-	43,426
NET ASSETS - BEGINNING OF YEAR	<u>691,088</u>	<u>-</u>	<u>691,088</u>	<u>647,662</u>	<u>-</u>	<u>647,662</u>
NET ASSETS - END OF YEAR	<u><u>790,351</u></u>	<u><u>-</u></u>	<u><u>790,351</u></u>	<u><u>691,088</u></u>	<u><u>-</u></u>	<u><u>691,088</u></u>

See independent auditors' report and notes to financial statements.

**YAMBA MALAWI, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

	<u>2017</u>	<u>2016</u>
<b>Cash flows from operating activities:</b>		
Changes in net assets	\$ 99,263	\$ 43,426
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	13,540	14,580
Changes in assets and liabilities:		
Pledges receivable	(17,125)	34,100
Prepaid expenses	(5,601)	2,154
Accounts payable and accrued expenses	<u>(6,943)</u>	<u>13,284</u>
Net cash provided by operating activities	<u>83,134</u>	<u>107,544</u>
<b>Cash flows from investing activities</b>		
Purchase of investments	(6,679)	(3,395)
Purchase of property, plant and equipment	<u>(2,834)</u>	<u>(6,553)</u>
Net cash used in investing activities	<u>(9,513)</u>	<u>(9,948)</u>
Net increase in cash	73,621	97,596
Cash, beginning of year	<u>569,519</u>	<u>471,923</u>
Cash, end of year	<u>\$ 643,140</u>	<u>\$ 569,519</u>

**See independent auditors' report and notes to financial statements.**

**YAMBA MALAWI, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECIMEBER 31, 2017**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Organization

Yamba Malawi, Inc. (The "Organization") is a non-profit organization established in 2006 and formed solely for charitable and educational purposes. As an institution, Yamba Malawi, Inc. empowers communities in Malawi to support orphans and other children in need. The Organization meets the immediate needs of these children while partnering with local community centers to strengthen their skills and build businesses for sustained impact. This three-pronged approach addresses the urgent needs of the children while enabling communities to provide for them in the long run.

Net Asset Categories

The financial statements of the Organization have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). Accordingly, the net assets of the Organization are maintained in the following categories.

Unrestricted Net Assets

Unrestricted net assets represent available resources other than donor-restricted contributions. These resources may be expended at the discretion of the Board of Directors.

Temporarily Restricted Net Assets

Temporarily restricted net assets include contributions that are restricted by the donor either as to purpose or time of expenditure.

Permanently Restricted Net Assets

Permanently restricted net assets represent contributions received with the donor restriction in perpetuity.

Basis of Accounting

Assets, liabilities, revenues and expenses are recognized on the accrual basis of accounting. Legally enforceable pledges less an allowance for uncollectible amounts, if any, are recorded as receivable in the year made.

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The Organization reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.



**YAMBA MALAWI, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECIMEBER 31, 2017**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Cash and Cash Equivalents

Cash and cash equivalents include all monies in bank and highly liquid investments with maturity dates of less than three months and any certificates of deposit that do not contain material early withdrawal penalties. Carrying values of cash and cash equivalents approximate fair value because of the short maturities of those financial instruments.

Property and Equipment

Property and equipment are recorded in the financial statements at cost. Significant improvements and betterments made to fixed assets are capitalized, whereby incidental repairs are expensed. Depreciation is provided for in the financial statements based upon the estimated useful lives of the corresponding assets.

Intangible Assets

The costs of developing the Organization's website and for significant improvements thereto are capitalized. These costs are being amortized over three years on a straight line basis.

Pledges Receivable

The pledges receivable of \$107,525 at December 31, 2017 are expected to be fully collected and represent future funds to be received. Pledges receivable, both conditional and unconditional, are recognized upon initial receipt of funds.

Once the Organization is reasonably assured as to the validity of pledges, as evidenced by initial collection, it recognizes the balance of the pledge in the current period.

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles 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. Accordingly, actual results could differ from these estimates.

Functional Allocation of Expenses

The costs of providing programs have been summarized on a functional basis in the Statement of Functional Expenses. Management and administration expenses include those expenses that are not directly identifiable with another specific function but provide for the overall support and direction of the Organization.

Inventory

The Organization accounts for the donation of goods and other in-kind donations as unrestricted contributions at the value assigned to them by the respective donor organizations, which approximates lower of cost or market valuation. All donated goods are added to inventory until they are distributed to programs and accounted for as a distributed goods expense on the statement of activities.

**YAMBA MALAWI, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECIMEBER 31, 2017**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Contributed Services

Unpaid volunteers have made significant contributions of their time to develop the Organization's programs. The value of these donated services is not included in these financial statements as they do not meet the criteria for recognition.

Consistent with generally accepted accounting principles for nonprofit organizations, the value of contributed services meeting the requirements for recognition are recorded at fair value in the period received. During the years ended December 31, 2017 and 2016, the value of donated services requiring separate disclosure was \$8,725 and \$0, respectively.

Income Taxes

The Organization is a not-for-profit organization and is exempt from federal and state income taxes as a public charity under section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

**2. FAIR VALUE OF FINANCIAL INSTRUMENTS**

Generally accepted accounting principles establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1

Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2

Inputs to the valuation methodology include:

- Quoted prices for similar assets in active markets;
- Quoted prices for identical or similar assets in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

**YAMBA MALAWI, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECIMEBER 31, 2017**

**2. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)**

Level 3

Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. When, as a practical expedient, an investment is measured at fair value on the basis of net asset value (NAV), its classification as Level 2 or 3 will be impacted by the ability to redeem the investment at NAV at the measurement date. If there is uncertainty or the inability to redeem an investment at NAV in the near term subsequent to the measurement date, the investment is categorized as Level 3.

The following is a description of the valuation methodologies used for assets measured at fair value:

Investments are valued at the quoted fair market value of the underlying assets held at year end.

The investments as of December 31, 2017 consist of marketable securities and are classified as level 1.

**3. FIXED ASSETS**

Fixed assets consist of the following, as of December 31,

	<u>2017</u>	<u>2016</u>
Vehicles	\$ 105,530	\$ 105,530
Furniture and equipment	16,467	12,362
Leasehold improvements	<u>24,500</u>	<u>24,500</u>
	146,497	142,392
Less: accumulated depreciation	<u>(119,880)</u>	<u>(105,070)</u>
	<u>\$ 26,617</u>	<u>\$ 37,322</u>

Depreciation expense for the year ended December 31, 2017 and 2016 was \$13,540 and \$14,321, respectively.

**4. INTANGIBLE ASSETS**

	<u>2017</u>	<u>2016</u>
Website development costs	\$ 18,000	\$ 18,000
Less: accumulated amortization	<u>18,000</u>	<u>18,000</u>
	<u>\$ 0</u>	<u>\$ 0</u>

Amortization expense for the year ended December 31, 2017 and 2016 was \$0 and \$259, respectively.

**5. CONCENTRATION OF CREDIT RISK**

Cash in banks, based on bank balances, exceeded Federal Deposit Insurance Corporation insured limits as of December 31, 2017 by \$326,945. The balances also exceeded the insured limit at various times during the years.

**YAMBA MALAWI, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECIMEBER 31, 2017**

**6. RENT EXPENSE AND LEASE COMMITMENT**

The Organization presently occupies office premises in Brooklyn, New York under an operating lease for a five-year period expiring April 30, 2020.

The Organization also leases office space in Lilongwe, Malawi on a yearly basis.

Total rent expense incurred by the Organization for the years ended December 31, 2017 and 2016 was \$84,814 and \$77,404 respectively.

Minimum future lease payments under non-cancellable operation leases at December 31, 2017 are as follows:

<u>Year ending December 31,</u>	<u>Amount</u>
2018	\$ 58,432
2019	60,188
2020	<u>20,260</u>
	<u>\$ 138,880</u>

**7. DEFINED CONTRIBUTION PENSION PLAN**

The Organization contributed to a pension plan for all eligible employees located in Malawi as mandated under Malawi laws. For the year ended December 31, 2017, the Organization contributed \$18,406 and is included in personnel expense on the Statement of Functional Expenses.

**8. SUBSEQUENT EVENTS**

Management has considered subsequent events through June 29, 2018, which is the date that financial statements were available to be issued. Management has determined there are no material subsequent events requiring disclosure in accordance with generally accepted accounting principles as June 29, 2018.

**YAMBA MALAWI, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>PROGRAM OPERATIONS</u>								
	<u>Community Enterprise</u>	<u>Shoes for Success</u>	<u>CBO Support</u>	<u>Hunger Relief</u>	<u>Programs General</u>	<u>Total Program Operations</u>	<u>Management and Administration</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Business expenses	1,333	-	43	519	25,607	27,502	1,653	4,867	34,022
Contract services	12,227	-	392	4,760	13,334	30,713	861	2,535	34,109
Facilities and equipment Operations	23,388	-	750	9,104	55,702	88,944	3,596	10,588	103,128
Other types of expenses	15,789	-	507	6,146	0	22,442	-	-	22,442
Promotional expenses	4,598	-	148	1,790	29,112	35,648	1,879	5,534	43,061
Payroll expenses	-	-	-	-	32,463	32,463	2,096	6,170	40,729
Travel and meetings	170,103	-	5,458	66,215	305,789	547,565	19,214	56,573	623,352
Depreciation	32,831	-	1,036	9,306	26,841	70,014	1,733	5,102	76,849
Program expenses	13,540	-	-	-	-	13,540	-	-	13,540
	119,119	133,630	3,822	46,369	-	302,940	-	-	302,940
	<u>392,928</u>	<u>133,630</u>	<u>12,156</u>	<u>144,209</u>	<u>488,848</u>	<u>1,171,771</u>	<u>31,032</u>	<u>91,369</u>	<u>1,294,172</u>

**YAMBA MALAWI, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>PROGRAM OPERATIONS</u>					Total	Management		Total
	<u>Community</u>	<u>Hunger</u>	<u>Shoes for</u>	<u>Tailoring</u>	<u>Programs</u>	<u>Program</u>	<u>and</u>	<u>Fundraising</u>	<u>Expenses</u>
	<u>Enterprise</u>	<u>Campaign</u>	<u>Success</u>		<u>General</u>	<u>Operations</u>	<u>Administration</u>		
Business expenses	3,492	-	-	-	8,836	12,328	494	1,792	14,614
Contract services	-	-	-	-	52,789	52,789	844	3,058	56,691
Facilities and equipment	17,321	-	-	-	49,702	67,023	2,781	10,079	79,883
Operations	30,762	-	-	-	16,177	46,939	860	3,118	50,917
Other types of expenses	294	-	-	-	18,728	19,022	1,048	3,798	23,868
Promotional expenses	-	-	-	-	91,032	91,032	5,093	18,461	114,586
Payroll	208,683	-	-	21,280	266,930	496,893	16,075	58,272	571,240
Travel and meetings	53,791	-	-	-	-	53,791	-	-	53,791
Depreciation	14,580	-	-	-	-	14,580	-	-	14,580
Program expenses	74,925	74,995	170,383	2,875	-	323,178	-	-	323,178
	<u>403,848</u>	<u>74,995</u>	<u>170,383</u>	<u>24,155</u>	<u>504,194</u>	<u>1,177,575</u>	<u>27,195</u>	<u>98,578</u>	<u>1,303,348</u>