

**FINANCIAL STATEMENTS AND REPORT**  
**VISION FOR CHANGE ORGANIZATION (A NON-PROFIT ORGANIZATION)**  
**September 30, 2019 and 2018**

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## **AUDITOR'S REPORT**

February 1, 2020

To the Board of Directors of:

Vision for Change Organization, Malawi

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Vision for Change Organization (a non-profit organization) which comprises the statements of financial position as of September 30, 2019 and 2018 and the related statements of activities, functional expenses and cash flows 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 the accounting principles generally accepted in Malawi; 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 Malawi. These standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of 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 presentation 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 Vision for Change Organization as of September 30, 2019 and 2018 and

the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in Malawi.



Constance Msowoya

**Independent Certified Auditor**

**Vision for Change Organization (A Non-Profit Organization)**

**STATEMENTS OF FINANCIAL POSITION**

**September 30,**

**ASSETS**

**CURRENT ASSETS:**

	<b>2019</b>	<b>2018</b>
Cash and cash equivalents	8,957 \$	7,466 \$
Accounts receivable	3,997	1,200
Grants receivable and promises to give	11,189	13,947
Prepaid expenses	6,193	7,426
Total current assets	30,336	30,039

**LONG-TERM ASSETS:**

Fixed assets, net	7,345\$	5,420\$
Intangible assets, net	6,678	11,234
Contributions receivable, long-term	6,090	9,456
Total long-term assets	20,113	26,110

**CURRENT LIABILITIES:**

Accounts payable	4,982 \$	4,730 \$
Accrued expenses	6,883	7,100
Deferred support	-	4,676
Total current liabilities	11,864	16,506

**NET ASSETS:**

Unrestricted    Operating	7,836\$	8,027\$
Temporarily restricted	6,060	7,250
Total net assets	13,896	15,277

**Vision for Change Organization (A Non-Profit Organization)**

**STATEMENT OF ACTIVITIES**

**For the Year Ended September 30, 2019**

	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT &amp; REVENUE:</b>			
Grants and Contributions			
Foundation, non-profit and corporate grants	9,000	5,000	12,000
Individual and religious organizations	4,679	-	4, 679
Total grants and contributions	13,679	5,000	16,679
Program service revenue	1,055	-	1, 055
Miscellaneous income	3,010	-	3, 010
Net assets releases from restrictions	4,190	(4, 190)	-
Total unrestricted support	21,934	810	20,744
<b>EXPENSES:</b>			
Program services			
Vision for Change Organization	12,272		12,272
Management and general	6,073		6,073
Fundraising	3,049		3,049
Net expenses	21,394		21,394
Change in net assets	7,809	810	3,619
Net assets, October 1, 2018	8,027	7,250	15,277
Net assets, September 30, 2019	15,836\$	8,060\$	18,896\$

**Vision for Change Organization (A Non-Profit Organization)**

**STATEMENT OF ACTIVITIES**

**For the Year Ended September 30, 2018**

	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT &amp; REVENUE:</b>			
Grants and Contributions			
Foundation, non-profit and corporate grants	9,675	2,500	11,800
Individual and religious organizations	3,779	-	3, 779
Total grants and contributions	13,454	2,500	15,579
Program service revenue	1,675	-	1, 675
Miscellaneous income	2,435	-	2, 435
Net assets releases from restrictions	4,289	(1, 569)	-
Total unrestricted support	21,853	931	19,689
<b>EXPENSES:</b>			
Program services			
Vision for Change Organization	12,675		12,675
Management and general	5,123		5,123
Fundraising	2,769		2,769
Net expenses	20, 567		20,567
Change in net assets	6,849	931	3,989
Net assets, October 1, 2018	7,009	5,250	12,264
Net assets, September 30, 2019	13,858\$	6,181\$	16,253\$

**Vision for Change Organization (A Non-Profit Organization)**

**STATEMENT OF FUNCTIONAL EXPENSES**

**For the Year Ended September 30, 2019**

	<b>PROGRAM</b>	<b>SUPPORTING SERVICES</b>			
	<b>Vision for Change</b>	<b>Management &amp; General</b>	<b>Fundraising</b>	<b>Total Support</b>	<b>Functional Expenses</b>
Volunteer expenses	1,895			1,895	
Food	1,720			1,720	
Staff development	1,788	892	449	1,341	2,576
Utilities	1,774	901	275	1,176	1,350
Telephone	183	933	334	1236	1,578
Printing and Photocopying	383	1,420	1,803	1,803	
Office supplies	2,169	1,517		1,517	1,686
Rent	1,355	595	1,658	1,253	1,608
Transportation	1,483	647		647	1,130
Miscellaneous development		1,833	1,833	1,833	
Interest	675		675	675	
Miscellaneous expenses	1	1,489		1,489	1,490
<b>Total</b>	<b>13,426</b>	<b>10,227</b>	<b>7,027</b>	<b>16,585</b>	<b>11,418</b>



**Vision for Change Organization (A Non-Profit Organization)**

**STATEMENT OF FUNCTIONAL EXPENSES**

**For the Year Ended September 30, 2018**

<b>PROGRAM</b>		<b>SUPPORTING SERVICES</b>			
	<b>Vision for Change</b>	<b>Management &amp; General</b>	<b>Fundraising</b>	<b>Total Support</b>	<b>Functional Expenses</b>
Volunteer expenses	1,775			1,775	
Food	1,230			1,230	
Staff development	1,485	887	434	1,126	1,986
Utilities	1,867	900	311	1,321	1,244
Telephone	191	876	312	1,167	1,314
Printing and Photocopying	343	1,776	1,902	1,729	
Office supplies	2,101	1,313		1,313	1,467
Rent	1,355	595	1,558	1,353	1,708
Transportation	1,821	747		742	1,326
Miscellaneous development		1,933	1,933	1,933	
Interest	475		475	475	
Miscellaneous expenses	1	1,189		1,189	1,189
<b>Total</b>	<b>12,644</b>	<b>10,216</b>	<b>6,925</b>	<b>15,353</b>	<b>10,234</b>

**Vision for Change Organization (A Non-Profit Organization)**

**STATEMENTS OF CASH FLOWS**

**For the Years Ended September 30,**

	<b>2019</b>	<b>2018</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Increase (decrease) in net assets	4,619 \$	(7,590) \$
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	989	654
Increase in cash surrender value due to		
Decrease (increase) in operating assets:		
Accounts receivable	(2,797)	5,403
Grants receivable	7,758	5,589
Increase (decrease) in operating liabilities:		
Accounts payable and employee withholdings	252	3,443
Accrued expenses	(1,217)	(1,632)
Deferred support	(6,676)	(3,550)
Net cash provided (used) by operating activities	6,682	(7,403)
<b>CASH FLOWS USED BY INVESTING ACTIVITIES:</b>		
Purchases of property and equipment	(3,255)	(1,943)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net advance (payment) on capital lease obligation	(936)	3,480
Net advance (payment) on loans and line of credit	-	-
Net cash (used) provided by operating activities	(936)	3,480
<b>NET (DECREASE) INCREASE</b>		
<b>IN CASH AND CASH EQUIVALENTS</b>	4,491	(5,866)
Cash and cash equivalents, beginning of year	5,466	3,332
Cash and cash equivalents, end of year	9,957\$	9,198\$

Interest paid during the year

675 \$

277\$

## NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

### 1. Nature of Activities

Vision for Change Organization (a non-profit organization) was established in January, 2017 in the District of Rumphi in Malawi. The Organization has the following objectives:

- To create an environment for socio-economic development;
- To build and increase the technical capacity of communities in the implementation of climate change resilience and adaptation programs in Malawi;
- To influence change and raise awareness on the key environmental and socio-economic issues, policies and practices for sustainable communities;
- To strengthen governance structures for different stakeholders and community structures in the mainstreaming of project implementation; and
- To empower communities to develop ownership and sustainable utilization of resources through local participation.

### 2. Basis of Accounting

The Organization recognizes income on the accrual method of accounting in accordance with accounting principles generally accepted in Malawi.

### 3. Basis of Presentation

The financial statements presented are in accordance with Malawi Accounting Standard. Under this standard, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted. The Organization had no permanently restricted net assets as of September 30, 2019 and 2018.

### 4. Property and Equipment

Property and equipment are stated at cost. Depreciation is calculated for financial statement purposes using the straight-line method based on the property's estimated life. Additions and improvements that add materially to productive capacity or extend the life of an asset are capitalized. Normal repairs and maintenance are charged against income. When facilities are retired or sold, their cost and accumulated depreciation are removed from the accounts and related gains or losses are included in income. In case of trade items, any remaining book value increases the basis of the new acquisitions. Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. The estimated lives used in determining depreciation are:

Building and building improvements	7 – 30 yrs
Automobiles	8 yrs
Personal property	5 – 7 yrs

## **5. Income Taxes**

The Organization is a not-for-profit organization that is generally exempt from income taxes. In addition, the organization has been classified as an organization that is not a private foundation under Malawi Internal Revenue Code. Income that is not related to exempt purposes, less applicable deductions, is subject to public income taxes. The Organization did not have any unrelated income for the years ended September 30, 2019 and 2018.

## **6. Cash and Cash Equivalents**

For purposes of the statements of financial position and cash flows, the Organization considers all unrestricted highly liquid investments, with an initial maturity of three months or less, to be considered cash.

## **7. Contributed Services**

Several unpaid volunteers have made significant contributions of their time to the management of the Organization. The value of this donated time is not recognizable and is not reflected in these financial statements.

## **8. Restricted and Unrestricted Revenue**

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a 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.

## **9. Grants and Contract Awards**

The Organization receives grants from private grantors for various purposes. Grants awards not yet received are accrued to the extent that unreimbursed expenses have been incurred for the purposes specified by an approved grant. The Organization defers grants received under approved awards from grantors to the extent they exceed expenses incurred for the purposes specified under the grant restrictions.

## **10. Grants and Other Accounts Receivable**

Management has elected to record bad debts using the direct write-off method. Accounting principles generally accepted in Malawi require that the allowance method be used to reflect bad debts. However, the effect of the use of the direct write-off method is not materially different from the results that would have been obtained had the allowance method been followed.

### **11. Promises to Give**

Unconditional promises to give are recognized as revenue or gains 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 when the conditions on which they depend are substantially met. All promises to give are due in less than one year.

### **12. Functional Allocation of Expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

### **13. Use of Estimates**

In preparing financial statements in conformity with accounting principles generally accepted in Malawi, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the 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.

### **14. Uncertain Tax Provisions**

Accounting for uncertain income tax positions which are relating to public income taxes, are required when a more likely than not threshold is attained. If such positions result in uncertainties, then the unrecognized tax liability is estimated based on a cumulative probability assessment that aggregates the estimated tax liability for all uncertain tax positions. With the adoption of these new rules, the Organization assessed its tax positions in accordance with the guidance. The Organization has determined that its tax status as a non-profit organization is its only tax position and is highly certain. Therefore, these new rules had no impact on the Organization's financial statements.

### **15. Subsequent Events**

Management has evaluated subsequent events through February 9, 2020, the date which the financial statements were available to be issued.

## **NOTE B – FOUNDATION GRANTS**

For the years ended September 30, 2019 and 2018, the Organization received approximately 36% and 45% respectively, of its total unrestricted income from three foundation grants. The grants cover one-year periods and are subject to renewal. The Organization relies on continued receipt of foundation grants in order to provide ongoing and continued operations.

## **NOTE C – TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets at the end of the year represent grants that have been received and designated as temporarily restricted by the grantor. As these funds are expended, the

temporary restrictions expire and the temporarily restricted net assets are reclassified to unrestricted net assets on the statement of activities.

#### **NOTE D – MINIMUM LEASE PAYMENTS**

The Organization leases office space in close proximity to its care facility. The lease on this administrative office space requires payments of \$750 per month and is on a month-to-month basis until either party notifies the other in writing.

#### **NOTE E – CONCENTRATION OF CREDIT RISK – CASH**

The Organization has several cash accounts at local banks. These accounts are insured, up to \$6,000, by the Public Deposit Insurance Corporation. The Organization has not experienced any losses and believes it is not exposed to any significant credit risk on cash.

#### **NOTE F – CASH SURRENDER VALUE**

The Organization was a recipient of a life insurance from one of its donors. The Organization is the beneficiary on the life insurance which has a face value of \$6,975. The cash surrender of the policy on September 30, 2019 and 2018 was \$3,561 and \$3,482, respectively.

#### **NOTE G – LINE OF CREDIT**

The Organization entered into a line of credit with FDH Bank on March 30, 2017. The line of credit which is secured by the real estate owned, bears interest at the rate of the bank prime rate plus 3.25%, interest payable monthly, and is payable on demand. The line of credit limit is \$15,000. The interest rate as of September 30, 2019 and 2018 was 6.5% and the balance due on the note was \$-0-, respectively.

#### **NOTE H - CAPITAL LEASE OBLIGATION**

The Organization entered into a capital lease obligation on December 6, 2017 to purchase a ground phone system. The lease requires monthly lease payments of \$78 and expires on November 6, 2022.

Under the terms of this lease, the Organization has the option to purchase the property for \$1 on November 6, 2022.

#### **NOTE I – RECLASSIFICATIONS**

Certain amounts in the 2018 financial statements have been reclassified to conform to the 2019 financial statement presentation.