



Namati, Inc. and Affiliate

Consolidated Financial Statements and Supplementary Information

For the Year Ended December 31, 2022

(With Summarized Financial Information for the Year Ended December 31, 2021)



**and
Report Thereon**



NAMATI, INC. AND AFFILIATE
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Namati, Inc. and Affiliate

Opinion

We have audited the consolidated financial statements of Namati, Inc. (Namati) and Affiliate (collectively referred to as the Organization), which comprise the consolidated statement of financial position as of December 31, 2022, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Organization as of December 31, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the 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 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 the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the 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 auditors' 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 GAAS 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 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 GAAS, 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The schedule of revenue and expenses by funder is presented for purposes of additional analysis and is 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 schedule of revenue and expenses by funder is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Other Matter

Report on Summarized Comparative Information

We have previously audited the Organization's December 31, 2021 consolidated financial statements, and we expressed an unmodified opinion on those consolidated financial statements in our report dated March 23, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Marcum LLP

Washington, DC
March 30, 2023

NAMATI, INC. AND AFFILIATE

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
December 31, 2022
(With Summarized Financial Information as of December 31, 2021)

	2022	2021
ASSETS		
Cash and cash equivalents	\$ 35,543,403	\$ 36,447,402
Grants and contracts receivable	832,332	690,934
Prepaid expenses and other assets	51,522	75,319
Investments	5,532,286	-
Website costs, net	18,333	-
Operating right of use asset	531,394	-
Deposits	10,875	10,943
	\$ 42,520,145	\$ 37,224,598
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 538,464	\$ 416,660
Operating lease liability	531,394	-
	1,069,858	416,660
Net Assets		
Without donor restrictions		
Undesignated	14,244,058	27,497,104
Board-designated	21,000,000	6,000,000
	35,244,058	33,497,104
With donor restrictions	6,206,229	3,310,834
	41,450,287	36,807,938
TOTAL NET ASSETS	\$ 42,520,145	\$ 37,224,598
TOTAL LIABILITIES AND NET ASSETS	\$ 42,520,145	\$ 37,224,598

The accompanying notes are an integral part of these consolidated financial statements.

NAMATI, INC. AND AFFILIATE

CONSOLIDATED STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2022

(With Summarized Financial Information for the Year Ended December 31, 2021)

	Without Donor Restrictions	With Donor Restrictions	2022 Total	2021 Total
REVENUE AND SUPPORT				
Grants and contracts	\$ 5,472,529	\$ 9,112,774	\$ 14,585,303	\$ 37,338,497
Investment income	129,786	9,240	139,026	-
Net assets released from restrictions:				
Satisfaction of program restrictions	6,026,619	(6,026,619)	-	-
Satisfaction of time restrictions	200,000	(200,000)	-	-
	11,828,934	2,895,395	14,724,329	37,338,497
TOTAL REVENUE AND SUPPORT				
EXPENSES				
Program Services:				
Community land protection	1,906,821	-	1,906,821	1,851,504
Global network	1,605,073	-	1,605,073	1,345,746
Environmental justice	1,557,968	-	1,557,968	1,060,425
Global programs	1,372,457	-	1,372,457	1,173,243
Citizenship	1,080,952	-	1,080,952	857,966
Health accountability	440,640	-	440,640	252,216
	7,963,911	-	7,963,911	6,541,100
Total Program Services				
Supporting Services:				
Program support	1,821,694	-	1,821,694	1,369,348
Institutional support	296,375	-	296,375	433,983
	2,118,069	-	2,118,069	1,803,331
Total Supporting Services				
TOTAL EXPENSES	10,081,980	-	10,081,980	8,344,431
CHANGE IN NET ASSETS	1,746,954	2,895,395	4,642,349	28,994,066
NET ASSETS, BEGINNING OF YEAR	33,497,104	3,310,834	36,807,938	7,813,872
NET ASSETS, END OF YEAR	\$ 35,244,058	\$ 6,206,229	\$ 41,450,287	\$ 36,807,938

The accompanying notes are an integral part of these consolidated financial statements.

NAMATI, INC. AND AFFILIATE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2022
(With Summarized Financial Information for the Year Ended December 31, 2021)

	Program Services						Supporting Services			2022 Total	2021 Total	
	Community Land Protection	Global Network	Environmental Justice	Global Programs	Citizenship	Health Accountability	Total Program Services	Program Support	Institutional Support			Total Supporting Services
Salaries	\$ 245,664	\$ 811,254	\$ 474,688	\$ 906,603	\$ 261,640	\$ 128,636	\$ 2,828,485	\$ 1,109,398	\$ 207,813	\$ 1,317,211	\$ 4,145,696	\$ 3,420,446
Subgrants and subcontracts	1,181,548	294,944	632,228	-	454,665	268,530	2,831,915	-	-	-	2,831,915	2,811,155
Fringe benefits	60,580	200,054	117,057	223,567	64,520	31,721	697,499	273,576	51,246	324,822	1,022,321	882,912
Consultants and professional fees	222,043	131,949	180,929	134,310	68,063	4,909	742,203	173,657	20,126	193,783	935,986	706,371
Travel	144,679	137,667	62,219	43,421	175,066	6,430	569,482	37,382	6,951	44,333	613,815	122,965
Other costs	32,662	24,835	72,715	30,000	51,351	333	211,896	176,895	4,036	180,931	392,827	265,626
Rent	19,645	4,370	18,132	34,556	5,647	81	82,431	50,786	6,203	56,989	139,420	134,956
TOTAL EXPENSES	<u>\$ 1,906,821</u>	<u>\$ 1,605,073</u>	<u>\$ 1,557,968</u>	<u>\$ 1,372,457</u>	<u>\$ 1,080,952</u>	<u>\$ 440,640</u>	<u>\$ 7,963,911</u>	<u>\$ 1,821,694</u>	<u>\$ 296,375</u>	<u>\$ 2,118,069</u>	<u>\$ 10,081,980</u>	<u>\$ 8,344,431</u>

The accompanying notes are an integral part of these consolidated financial statements.

NAMATI, INC. AND AFFILIATE

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2022

(With Summarized Financial Information for the Year Ended December 31, 2021)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 4,642,349	\$ 28,994,066
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Amortization of website costs	9,167	-
Unrealized gain on investments	(14,846)	-
Changes in assets and liabilities:		
Grants and contracts receivable	(141,398)	(465,887)
Prepaid expenses and other assets	23,797	28,871
Deposits	68	(32)
Accounts payable and accrued expenses	121,804	49,608
	4,640,941	28,606,626
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of website costs	(27,500)	-
Purchase of investments	(5,517,440)	-
	(5,544,940)	-
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(903,999)	28,606,626
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	36,447,402	7,840,776
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 35,543,403	\$ 36,447,402

The accompanying notes are an integral part of these consolidated financial statements.

NAMATI, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2022

1. Organization and Summary of Significant Accounting Policies

Organization

Namati, Inc. (Namati) is a nonprofit organization incorporated under the laws of the State of Delaware on July 12, 2011. Namati was established to implement legal empowerment interventions in partnership with governments and civil society organizations in several countries. Namati cultivates a global community of paralegal practitioners to foster dialogue and tool-sharing. Namati advocates with, and provides technical assistance to policy-makers and civil society organizations for greater and smarter investments in legal empowerment. In partnership with civil society groups and governments, Namati implements and evaluates innovative interventions along several themes, including environmental justice, community land protection and the accountability of essential public services. Namati also hosts a growing Global Legal Empowerment Network of practitioners and supporters. Members of the Global Legal Empowerment Network share resources and experiences, including research, training materials, monitoring and evaluation tools, case management systems, and advocacy strategies. Network members are active throughout the world, whereas Namati's programs and research focus on exploring the potential for legal empowerment in specific countries, which include Sierra Leone, India, Mozambique, Myanmar, Kenya, the United States and Bangladesh. Namati's activities are funded primarily through grants and contract revenue.

Namati has an office in Kenya. The office in Kenya follows the host country's regulations and, as a result, was incorporated as Namati Kenya on January 18, 2018. However, as Namati's local office, Namati Kenya is dependent on Namati for funding, participates in Namati's activities and decision-making, and carries out the general mission and activities of Namati in Kenya.

Principles of Consolidation

The consolidated financial statements of Namati and Namati Kenya (collectively referred to as the Organization) have been prepared on the accrual basis of accounting and include the accounts of Namati and Namati Kenya. Namati and Namati Kenya have been consolidated due to the presence of control and economic interest, as required under accounting principles generally accepted in the United States of America (GAAP). All intercompany balances and transactions have been eliminated in the consolidation.

Cash Equivalents

The Organization considers all money market funds and all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Grants and Contracts Receivable

The Organization records grants and contracts receivable at their estimated net realizable value. The allowance for doubtful accounts is based on various factors, including management's analysis of the collectibility of the accounts and current economic conditions. A provision for doubtful accounts is made when collection of the full amount is no longer probable.

NAMATI, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2022

1. Organization and Summary of Significant Accounting Policies (continued)

Investments

Investments include investment funds considered to be alternative investment funds, as they are not traded in established markets with published values. Access to participation in these funds is limited and at the fund's discretion and approval, and liquidation of the Organization's interests may be subject to various restrictions imposed by fund managers.

The alternative investment funds consist of private equity funds structured as limited partnerships. These investments are recorded in the accompanying consolidated financial statements at fair value, as provided by the investment managers. The Organization has adopted the provisions of Financial Accounting Standards Board (FASB) Accounting Standards, Fair Value Measurement (Topic 820): *Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*, which permits, as a practical expedient, the fair value of certain alternative investments within its scope to be estimated using net asset value (NAV) or its equivalent as reported by the investee. Because of the inherent uncertainty of the valuation of each of the Organization's alternative investment funds, the values used for these investments may differ significantly from the value that would have been used had a ready market for the investments existed.

The change in unrealized appreciation or depreciation of investments is included in investment income in the accompanying consolidated statement of activities. Realized gains and losses on sales of investments are computed on an average cost method and are recorded on the trade date of the transaction and included in investment income in the accompanying consolidated statement of activities.

Fair Value Measurement

The Organization uses NAV per share, or its equivalent, such as member units or an ownership interest in partners' capital, as a practical expedient to estimate the fair values of certain hedge funds, private equity funds, funds of funds, and limited partnerships, which do not have readily determinable fair values. Investments that are measured at fair value using NAV per share as a practical expedient are not classified in the fair value hierarchy.

Website Costs and Related Amortization

All assets with a useful life of more than two years and an acquisition cost of \$5,000 or greater are capitalized at cost. Capitalized website costs are recorded at cost less accumulated amortization and impairment losses, if any. Website costs are amortized using the straight-line method over an estimated useful life of three years. Expenditures for major repairs and improvements that extend the useful life of an asset are capitalized, whereas expenditures for minor repairs and maintenance costs are expensed when incurred. Costs incurred in the development of the website are expensed during the preliminary and post-implementation operation stages, including data conversion, training and maintenance costs. Costs incurred during the website development stage are capitalized. In the event that it is no longer probable that expected future economic benefits will be recovered, website costs are written down to estimated recoverable amounts.

NAMATI, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2022

1. Organization and Summary of Significant Accounting Policies (continued)

Classification of Net Assets

The Organization's net assets are reported as follows:

- Net assets without donor restrictions represent the portion of expendable funds that are available for support of Namati's operations. From time to time, Namati's Board of Directors (the Board) designates a portion of these net assets for specific purposes, which makes them unavailable for use at management's discretion. The Board has designated \$6,000,000 of net assets without donor restrictions to serve as a working capital reserve to secure Namati's long-term financial viability. In 2022, the Board has designated \$15,000,000 for the purpose of investing and generating ongoing operation funds.
- Net assets with donor restrictions represent amounts that are specifically restricted by donors or grantors for various programs or for specific periods. These donor restrictions can be temporary in nature in that they will be met by actions of Namati or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated that the funds be maintained in perpetuity. As of December 31, 2022, Namati had no net assets with donor restrictions that are required to be maintained in perpetuity.

Revenue Recognition

Unconditional grants and contributions are reported as revenue and support in the year in which payments are received and/or unconditional promises are made. Unconditional grants are considered without donor restrictions unless specifically restricted by the grantor. Amounts received that are designated for future periods or restricted by the grantor for specific purposes are reported as revenue and support with donor restrictions. When a grantor restriction expires (that is, when a stipulated time restriction ends or purpose restriction is met), net assets are reclassified from net assets with donor restriction to net assets without donor restriction and reported in the accompanying consolidated statement of activities as net assets released from restrictions. Unconditional grants that have been committed to the Organization but have not been received as of year-end are reflected as grants and contracts receivable in the accompanying consolidated statement of financial position.

Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

Contracts which represent services performed are recognized at the time the services are provided based on deliverables established in the contracts.

Grant Expense Recognition

Unconditional grants are expensed in the year in which the grant commitment is made to the grantee. Grant amounts not transferred immediately to the partner organizations in the year in which the grant commitments are made are recorded as grants payable in the accompanying

NAMATI, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2022

1. Organization and Summary of Significant Accounting Policies (continued)

Grant Expense Recognition (continued)

consolidated statement of financial position. As of December 31, 2022, the Organization had no grants payable. Conditional grants are not included as expenses until such time as the conditions are substantially met.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying consolidated statement of functional expenses. Expenses directly attributed to specific functional areas of the Organization are reported as expenses of those functional areas. Salaries are allocated to programs and supporting services based on employees' timesheets. Fringe benefits and shared costs (primarily rent) that benefit multiple functional areas have been allocated among the various functional areas based on the actual time and effort expended on those functional areas.

The following is an explanation of certain expense categories presented in the consolidated statements of activities and functional expenses as supporting services:

Program support – This supporting service category includes the functions necessary to secure proper administration of the Organization's programs and the Board, maintain an adequate working environment, and manage financial and budgetary responsibilities of the Organization.

Institutional support – This supporting service category includes the functions necessary to induce potential donors to contribute funds and other resources to the Organization. It also includes costs necessary for the administration of the Organization's operations that do not otherwise qualify to be recorded under program support.

Estimates

The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain amounts reported in the consolidated financial statements and accompanying notes. Accordingly, actual results could differ from those estimates.

New Accounting Pronouncements

In February 2016, the FASB issued Accounting Standards Codification (ASC) 842, *Leases* (ASC 842). Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. ASC 842 is effective for the annual reporting periods of private companies and nonprofit organizations beginning after December 15, 2021. Namati Inc.'s new lease was signed on December 15, 2022 as an amendment to its existing office lease.

NAMATI, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2022

1. Organization and Summary of Significant Accounting Policies (continued)

New Accounting Pronouncements (continued)

The adoption of ASC 842 resulted in the recognition of an operating right of use asset of \$531,394 and operating lease liability of \$531,394 as of December 31, 2022. The adoption of ASC 842 had a material impact on the Organization's statement of financial position but did not have an impact on the statement of activities or statement of cash flows. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases. See Note 8.

2. Grants and Contracts Receivable

Grants and contracts receivable of \$832,332 represent net promises to give from various organizations and are all due within one year as of December 31, 2022. All amounts are deemed fully collectible. Accordingly, no allowance for uncollectible grants and contracts receivable has been provided.

3. Conditional Grants

During the year ended December 31, 2022, the Organization awarded several conditional grants of which \$1,052,943 has not been recognized as grant expense as of December 31, 2022 as these grants were contingent upon achievement of certain goals and milestones (barriers) mutually agreed to between the Organization and the grantees.

4. Conditional Promises to Give

During the year ended December 31, 2022 and prior years, the Organization was awarded several multiyear conditional grants of which \$28,418,296 has not been recognized as of December 31, 2022, as the Organization's achievement of certain goals and deliverables (barriers) mutually agreed to between the Organization and the donors had not been met. Payments will be made to the Organization at various times through September 30, 2030, upon satisfaction of the conditions.

5. Investments

The fair value of the Organization's investments as of December 31, 2022, are summarized as follows:

Private equity funds ^(a)	<u>\$ 5,532,286</u>
Total Investments	<u>\$ 5,532,286</u>

^(a) These investments are measured at NAV as a practical expedient and are not required to be classified within the fair value hierarchy.

NAMATI, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2022

5. Investments (continued)

Alternative investment funds – Alternative investments include private equity funds in the form of interests in limited partnerships, which are valued using significant unobservable inputs, are subject to certain restrictions and generally have no established trading market. Fair value is determined based on the Fund’s NAV or its equivalent, as provided by the Fund’s management using a variety of methodologies relevant to the particular investment portfolio that combine primary market data available from national securities exchanges for underlying securities that are actively traded, as well as other factors. Investments for Namati Inc. are in private equity funds whose strategies include, but are not limited to, direct and indirect company co-investments, buyouts, public-to-private transactions, and strategic and growth capital investments. Namati has no unfunded capital commitments. Namati’s alternative investments require a notice period of 3 to 30 days period between when a request to withdraw the funds is made and when the funds are sent. There were no unfunded capital commitments as of December 31, 2022.

6. Net Assets

Net Assets Without Donor Restrictions

The Organization’s net assets without donor restrictions are composed of undesignated amounts and board-designated amounts. As of December 31, 2022, the Organization’s net assets without donor restrictions were as follows:

Undesignated	\$ 14,224,058
Board-designated for investing to support ongoing operations	15,000,000
Board-designated for working capital reserve	<u>6,000,000</u>
Total Net Assets Without Donor Restrictions	<u>\$ 35,224,058</u>

Net Assets With Donor Restrictions

As of December 31, 2022, net assets with donor restrictions were restricted for the following purposes:

Subject to expenditure for specified purpose:	
Community land protection	\$ 1,552,395
Global programs	677,563
Enviro Environmental justice	3,542,719
Global network	50,924
Citizenship	<u>322,628</u>
Total Subject to Expenditure for Specified Purpose	6,146,229
Subject to occurrence of specified events/passage of time:	
Total Subject to Passage of Time	<u>60,000</u>
Total Net Assets With Donor Restrictions	<u>\$ 6,206,229</u>

NAMATI, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2022

7. Concentration of Credit Risk

The Organization maintains its cash and cash equivalents with a certain commercial financial institution, which aggregate balance may exceed, at times, the Federal Deposit Insurance Corporation (FDIC) insured limit of \$250,000 per depositor per institution. The Organization maintains an overnight sweep account on its main checking account so as of December 31, 2022, the Organization's cash balances did not exceed the maximum limit insured by the FDIC. The Organization monitors the creditworthiness of the institution and has not experienced any credit losses on its cash and cash equivalents.

In addition, the Organization has operations in Kenya, and holds cash accounts in Kenya which are uninsured. As of December 31, 2022, cash balances in Kenya totaled approximately \$78,000, representing less than 1% of the Organization's total assets.

8. Commitments, Risks and Contingencies

Operating Leases

On September 14, 2017, Namati Inc. entered into a noncancelable operating lease for office space for its headquarters in Washington, D.C. The lease term is for the period November 1, 2017, through January 31, 2023. The lease provides for three months of rent abatement, and contains a fixed escalation clause for increases in the annual minimum rent. On December 15, 2022, Namati Inc. entered into a lease amendment to extend the lease term to September 30, 2028. The base monthly rent is \$9,603 and escalates by 2.5% on an annual basis. The amended lease includes an incentive to abate the rent for the first two months every year throughout the lease period and a tenant improvement allowance of up to \$58,720.

Per terms of the lease agreement, there is a tenant improvement allowance of \$58,720. Under the terms of the agreement, any unused allowance as of February 1, 2024 may be applied to the base rent due starting on February 1, 2024, 25% starting on February 1, 2024 and the remaining 75% starting February 1, 2026. The Organization is still determining how the allowance will be used. Therefore, the Organization has included the allowance in its calculations to determine the right of use asset and the related liability.

The right of use assets and lease liabilities, all of which arise from operating leases, were calculated based on the present value of future lease payments over the lease terms. The Organization has made an accounting policy election to use a risk-free rate in lieu of its incremental borrowing rate to discount future lease payments. The weighted-average discount rate applied to calculate the lease liability as of December 31, 2022, was 1.52%.

The following summarizes the line items in the statement of financial position which include amounts for operating leases as of December 31, 2022:

Operating right of use asset	<u>\$ 531,394</u>
Operating lease liability	<u>\$ 531,394</u>

NAMATI, INC. AND AFFILIATE

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2022**

8. Commitments, Risks and Contingencies (continued)

Operating Leases (continued)

The maturity of the operating lease liability as of December 31, 2022, was as follows:

For the Year Ending December 31,		
2023	\$	86,428
2024		83,992
2025		101,620
2026		60,600
2027		126,943
Thereafter		<u>97,521</u>
Total Lease Payments		557,104
Less: Interest		<u>(25,710)</u>
Present Value of Lease Liability	\$	<u><u>531,394</u></u>

Operating lease cost totaled \$139,422 for the year ended December 31, 2022. Cash paid for operating leases for the year ended December 31, 2022, totaled \$122,215. There were no noncash investing and financing transactions relating to leasing other than the entry described in Note 1 related to the adoption of the new standard.

9. Availability and Liquidity

The Organization regularly monitors liquidity required to meet its annual operating needs and other contractual commitments. The Organization's financial assets available within one year of the consolidated statement of financial position date for general expenditures at December 31, 2022, were as follows:

Cash and cash equivalents	\$ 35,543,403
Investments	5,532,286
Grants and contracts receivable	<u>832,332</u>
Total Financial Assets Available as of December 31, 2022	41,908,021
Less:	
Amounts Not Available to Be Used Within One Year:	
Restricted by donor for time and/or purpose	(750,000)
Board-designated for investing to support ongoing operations	(15,000,000)
Board-designated for working capital and program reserve	<u>(6,000,000)</u>
Financial Assets Available to Meet General Expenditures Within One Year	<u><u>\$ 20,158,021</u></u>

NAMATI, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2022

9. Availability and Liquidity (continued)

The Organization has various sources of liquidity at its disposal, including cash and cash equivalents, which are available for general expenditures, liabilities and other obligations as they come due. Management is focused on sustaining the financial liquidity of the Organization throughout the year. This is done through monitoring and reviewing the Organization's cash flow needs on a regular basis. As a result, management is aware of the cyclical nature of the Organization's cash flow related to the Organization's various funding sources and is therefore able to ensure that there is cash available to meet current liquidity needs. Additionally, the Organization has board-designated net assets that could be available for current operations with Board approval, if necessary.

10. Major Grantors

For the year ended December 31, 2022, the Organization recognized revenue of approximately \$10,087,000 from six donors, which is approximately 69% of the Organization's total revenue and support.

11. Pension Plan

The Organization sponsors a 401(k) defined contribution plan (the Plan) for retirement benefits for its employees. Employees who are at least 21 years of age are eligible to participate in the Plan immediately upon employment and become eligible for the employer contribution after three months of service. The Organization matches employee contributions up to 5% of an employee's annual compensation. Employees are 100% vested in the employer portion of their accounts after one year of service. When an eligible employee leaves the Organization, unvested funds are reallocated to the other participants as part of the Organization's contribution to the Plan for the year. Total pension expense was \$305,508 for the year ended December 31, 2022.

In addition, the Organization sponsors a retirement plan for the employees working in Namati's Kenya office. The Organization contributes 9% of an eligible employee's monthly salary and the employees are immediately vested in the employer contribution. The Organization contributed approximately \$45,062 to this plan for the year ended December 31, 2022.

12. Related Party Transactions

A member of the Board, who is also Namati's President, serves as a member of the Board of Directors for Namati Sierra Leone. Namati made grants totaling \$813,000 to Namati Sierra Leone during the year ended December 31, 2022. It is Namati's policy for a Board member to recuse himself or herself from voting on any proposed grant to an organization of which he or she is also a board member or officer.

NAMATI, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2022

12. Related Party Transactions (continued)

On October 12, 2021, Namati established Namati Action, Inc., a 501(c)(4) organization, to advance social and environmental and social justice through legislative and policy advocacy. During the year ended December 31, 2022, Namati Action, Inc. had limited transactions related to setting up the organization.

During the year ended December 31, 2022, Namati invested in an investment fund that is managed by one of the Board of Directors. It is Namati's policy for a Board member to recuse himself or herself from voting on any investments in which he or she is involved in.

13. Income Taxes

Namati is exempt from the payment of taxes on income other than net unrelated business income under Section 501(c)(3) of the Internal Revenue Code. No provision for income taxes is required for the year ended December 31, 2022, as Namati had no net unrelated business income. In addition, Namati Kenya is subject to local taxes in the jurisdictions in which it operates. All local taxes required by Kenyan laws have been accrued as of December 31, 2022 in the amount of \$18,248 and included in office expenses in the accompanying statement of functional expenses.

The Organization follows the authoritative guidance relating to accounting for uncertainty in income taxes included in FASB ASC Topic 740, *Income Taxes*. These provisions provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition and derecognition of tax positions taken or expected to be taken in a tax return. The Organization evaluated its uncertainty in income taxes for the year ended December 31, 2022, and determined that there were no matters that would require recognition in the consolidated financial statements or that may have any effect on its tax-exempt status, and there are currently no audits for any open tax periods pending or in progress. It is the Organization's policy to recognize interest and/or penalties related to uncertainty in income taxes, if any, in income tax expense. As of December 31, 2022, the Organization had no accruals for interest and/or penalties.

14. Reclassifications

Certain 2021 balances were reclassified to conform to the 2022 financial statements presentation.

15. Summarized Financial Information

The consolidated financial statements include certain prior year summarized comparative information in total, but not by net asset class and functional area. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with Namati's consolidated financial statements for the year ended December 31, 2021, from which the summarized information was derived.

NAMATI, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2022

16. Subsequent Events

In the preparation of the consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through March 30, 2023, the date the consolidated financial statements were available to be issued. There were no subsequent events that require recognition or disclosure in the consolidated financial statements.

SUPPLEMENTARY INFORMATION

NAMATI, INC. AND AFFILIATE
SCHEDULE OF REVENUE AND EXPENSES BY FUNDER
For the Year Ended December 31, 2022

	American Council of Learned Societies	American Jewish World Service	Climate Works Foundation	Department of Foreign Affairs, Trade and Development	Department for International Development	Department of State	Environmental Defense Fund	Foundation to Promote Open Society	Friends of the Earth	Generation Foundation	Global Centre for Pluralism
REVENUE AND SUPPORT											
Grants and contracts	\$ 70,500	\$ 20,000	\$ -	\$ 14,095	\$ 60,638	\$ 219,724	\$ 20,000	\$ 125,000	\$ 6,250	\$ 54,778	\$ 36,898
Investment income	-	-	-	-	-	-	-	-	-	-	-
TOTAL REVENUE AND SUPPORT	70,500	20,000	-	14,095	60,638	219,724	20,000	125,000	6,250	54,778	36,898
EXPENSES											
Salaries	10,487	20,223	54,582	10,096	11,169	20,404	-	65,467	-	-	6,565
Fringe benefits	2,586	4,987	13,460	2,489	2,754	5,032	-	16,144	-	-	1,619
Consultants and professional fees	-	-	74,952	-	28,498	53,636	11,250	10,012	18,750	-	3,690
Travel	-	-	5,062	-	1,064	9,287	-	8,757	-	-	21,465
Other costs	-	-	10,452	-	4,707	5,318	-	1,949	-	-	3,559
Subcontracts	-	-	51,400	-	5,000	112,066	-	-	-	-	-
Program support	-	4,790	40,092	1,510	7,446	13,981	-	19,443	-	-	-
TOTAL EXPENSES	13,073	30,000	250,000	14,095	60,638	219,724	11,250	121,772	18,750	-	36,898
CHANGE IN NET ASSETS	\$ 57,427	\$ (10,000)	\$ (250,000)	\$ -	\$ -	\$ -	\$ 8,750	\$ 3,228	\$ (12,500)	\$ 54,778	\$ -

See independent auditors' report on supplementary information.

NAMATI, INC. AND AFFILIATE
SCHEDULE OF REVENUE AND EXPENSES BY FUNDER
For the Year Ended December 31, 2022

(continued)

	Henry Luce Foundation	International Development Research Centre	International Institute for Environment & Development	JPB Foundation	Korean International Cooperation Agency	Luminate Foundation	Morton K. and Jane Blaustein Foundation	Mott Foundation	New Venture Fund	NYU	Stichting SED Fund
REVENUE AND SUPPORT											
Grants and contracts	\$ 200,000	\$ 2,065,174	\$ 809,012	\$ 1,200,000	\$ 854,921	\$ 10,000	\$ 60,000	\$ 200,000	\$ -	\$ 32,867	\$ 22,500
Investment income	-	5,611	-	2,857	731	-	-	-	-	-	-
TOTAL REVENUE AND SUPPORT	200,000	2,070,785	809,012	1,202,857	855,652	10,000	60,000	200,000	-	32,867	22,500
EXPENSES											
Salaries	-	143,199	60,371	168,520	182,086	64,862	9,236	17,254	86,061	20,769	-
Fringe benefits	-	35,313	14,887	41,557	44,902	15,995	2,276	4,255	21,223	5,122	-
Consultants and professional fees	-	24,053	9,120	27,169	20,189	20,678	-	59,400	10,720	-	-
Travel	-	3,433	10,203	31,209	75,275	65,044	-	6,984	-	-	-
Other costs	-	100	2,637	20,280	28,922	21,173	369	1,110	1,033	-	-
Subcontracts	-	-	555,506	15,000	385,625	8,069	46,600	-	-	-	120,600
Program support	-	26,792	91,381	57,067	111,129	-	(128)	16,020	24,155	-	-
TOTAL EXPENSES	-	232,890	744,105	360,802	848,128	195,821	58,353	105,023	143,192	25,891	120,600
CHANGE IN NET ASSETS	\$ 200,000	\$ 1,837,895	\$ 64,907	\$ 842,055	\$ 7,524	\$ (185,821)	\$ 1,647	\$ 94,977	\$ (143,192)	\$ 6,976	\$ (98,100)

See independent auditors' report on supplementary information.

NAMATI, INC. AND AFFILIATE
SCHEDULE OF REVENUE AND EXPENSES BY FUNDER
For the Year Ended December 31, 2022

(continued)

	Target Foundation	The 11th Hour Project	The British Council	The Christensen Fund	The William & Flora Hewlett Foundation	Tinker Foundation	Other Revenues	W.K. Kellogg Foundation	Anonymous	Total
REVENUE AND SUPPORT										
Grants and contracts	\$ -	\$ -	\$ 183,419	\$ -	\$ 1,500,000	\$ 79,046	\$ 4,040,481	\$ 2,500,000	\$ 200,000	\$ 14,585,303
Investment income	3	-	-	-	-	38	129,786	-	-	139,026
TOTAL REVENUE AND SUPPORT	<u>3</u>	<u>-</u>	<u>183,419</u>	<u>-</u>	<u>1,500,000</u>	<u>79,084</u>	<u>4,170,267</u>	<u>2,500,000</u>	<u>200,000</u>	<u>14,724,329</u>
EXPENSES										
Salaries	157,681	2,424	8,623	83,107	887,921	18,264	1,576,129	451,459	8,737	4,145,696
Fringe benefits	38,884	598	2,126	20,494	218,960	4,504	388,670	111,329	2,155	1,022,321
Consultants and professional fees	10,048	-	55,010	4,290	162,300	-	277,635	51,213	3,373	935,986
Travel	46,719	-	28,535	9,434	50,919	377	143,024	83,182	13,842	613,815
Other costs	908	97	7,074	1,931	150,794	87	245,338	18,413	5,996	532,247
Subcontracts	-	109,035	80,277	-	29,106	69,050	624,544	583,854	36,183	2,831,915
Program support	45,763	20,188	18,164	17,888	-	13,842	(672,438)	129,560	13,355	-
TOTAL EXPENSES	<u>300,003</u>	<u>132,342</u>	<u>199,809</u>	<u>137,144</u>	<u>1,500,000</u>	<u>106,124</u>	<u>2,582,902</u>	<u>1,429,010</u>	<u>83,641</u>	<u>10,081,980</u>
CHANGE IN NET ASSETS	<u>\$ (300,000)</u>	<u>\$ (132,342)</u>	<u>\$ (16,390)</u>	<u>\$ (137,144)</u>	<u>\$ -</u>	<u>\$ (27,040)</u>	<u>\$ 1,587,365</u>	<u>\$ 1,070,990</u>	<u>\$ 116,359</u>	<u>\$ 4,642,349</u>

See independent auditors' report on supplementary information.