

Consolidated Financial Statements of

NUTRITION INTERNATIONAL
(FORMERLY THE MICRONUTRIENT INITIATIVE)

Year ended March 31, 2019
(In U.S. dollars)



KPMG LLP
150 Elgin Street, Suite 1800
Ottawa ON K2P 2P8
Canada
Telephone 613-212-5764
Fax 613-212-2896

INDEPENDENT AUDITORS' REPORT

To the Members of Nutrition International

Opinion

We have audited the consolidated financial statements of Nutrition International (formerly the Micronutrient Initiative) (the "Organization"), which comprise:

- the consolidated statement of financial position as at March 31, 2019
- the consolidated statement of operations for the year then ended
- the consolidated statement of changes in net assets for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements, present fairly, in all material respects, the financial position of the Organization as at March 31, 2019, and its results of operations, changes in net assets and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

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



Emphasis of Matter

These financial statements are prepared using Canadian dollars as the functional currency and United States dollars as the reporting currency as disclosed in note 1(c). To fulfill the requirements of certain of the Organization's funders, management has also prepared consolidated financial statements using Canadian dollars as the reporting currency for the year ended March 31, 2019. We have issued an unmodified audit opinion on those financial statements dated June 21, 2019.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

Auditors' 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 auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.



We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

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.

- 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Canada

June 21, 2019

NUTRITION INTERNATIONAL

(FORMERLY THE MICRONUTRIENT INITIATIVE)

Consolidated Statement of Financial Position

March 31, 2019, with comparative information for 2018

(In U.S. dollars)

	2019	2018
Assets		
Current assets:		
Cash	\$ 28,333,602	\$ 32,121,569
Accounts receivable	4,440,210	2,875,299
Prepaid expenses	878,921	928,309
	<u>33,652,733</u>	<u>35,925,177</u>
Tangible capital and intangible assets (note 2)	1,073,053	1,213,289
	<u>\$ 34,725,786</u>	<u>\$ 37,138,466</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 3)	\$ 5,505,027	\$ 3,453,754
Deferred contributions (note 4)	21,666,228	26,071,452
	<u>27,171,255</u>	<u>29,525,206</u>
Net assets:		
Unrestricted	8,035,617	7,838,863
Cumulative translation adjustment	(481,086)	(225,603)
	<u>7,554,531</u>	<u>7,613,260</u>
Commitments (note 10)		
	<u>\$ 34,725,786</u>	<u>\$ 37,138,466</u>

See accompanying notes to consolidated financial statements.

On behalf of the Board of Directors:



Director



Director

NUTRITION INTERNATIONAL

(FORMERLY THE MICRONUTRIENT INITIATIVE)

Consolidated Statement of Operations

Year ended March 31, 2019, with comparative information for 2018

(In U.S. dollars)

	2019	2018
Revenue:		
Grants and contributions (note 4)	\$ 59,426,174	\$ 58,456,820
Other income (note 5)	197,612	100,571
	<u>59,623,786</u>	<u>58,557,391</u>
Expenses:		
Program activities:		
Program interventions (note 6)	44,613,896	43,545,056
Vitamin and mineral supplement procurement	10,157,299	10,161,792
	<u>54,771,195</u>	<u>53,706,848</u>
Management and administration:		
Salaries and benefits	3,040,104	2,976,060
Professional and advisory services	700,860	835,291
Information technology services	61,392	65,651
Office rent and utilities	337,623	384,584
Operational travel	165,476	114,162
Communications	27,792	28,495
General	224,732	240,786
Amortization of tangible capital and intangible assets	97,858	96,388
	<u>4,655,837</u>	<u>4,741,417</u>
	<u>59,427,032</u>	<u>58,448,265</u>
Excess of revenue over expenses	\$ 196,754	\$ 109,126

See accompanying notes to consolidated financial statements.

NUTRITION INTERNATIONAL

(FORMERLY THE MICRONUTRIENT INITIATIVE)
Consolidated Statement of Changes in Net Assets

Year ended March 31, 2019, with comparative information for 2018
(In U.S. dollars)

	Unrestricted	Cumulative translation adjustment	2019 Total	2018 Total
Net assets (deficiency), beginning of year	\$ 7,838,863	\$ (225,603)	\$ 7,613,260	\$ 7,278,053
Excess of revenue over expenses	196,754	–	196,754	109,126
Translation adjustment	–	(255,483)	(255,483)	226,081
Net assets (deficiency), end of year	\$ 8,035,617	\$ (481,086)	\$ 7,554,531	\$ 7,613,260

See accompanying notes to consolidated financial statements.

NUTRITION INTERNATIONAL

(FORMERLY THE MICRONUTRIENT INITIATIVE)

Consolidated Statement of Cash Flows

Year ended March 31, 2019, with comparative information for 2018

(In U.S. dollars)

	2019	2018
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 196,754	\$ 109,126
Items not involving cash:		
Amortization of tangible capital and intangible assets	366,761	372,738
Loss on disposal of tangible capital and intangible assets	9,474	8,911
Change in non-cash operating working capital:		
Accounts receivable	(1,689,468)	(1,194,852)
Prepaid expenses	18,983	(18,867)
Accounts payable and accrued liabilities	2,203,923	247,032
Deferred contributions	(3,604,678)	(5,459,365)
	(2,498,251)	(5,935,277)
Investing activities:		
Additions to tangible capital and intangible assets	(274,399)	(252,558)
Proceeds from the sale of capital assets	—	1,008
	(274,399)	(251,550)
Effect of foreign exchange on cash	(1,015,317)	1,189,096
Decrease in cash	(3,787,967)	(4,997,731)
Cash, beginning of year	32,121,569	37,119,300
Cash, end of year	\$ 28,333,602	\$ 32,121,569

See accompanying notes to consolidated financial statements.

NUTRITION INTERNATIONAL

(FORMERLY THE MICRONUTRIENT INITIATIVE)

Notes to Consolidated Financial Statements

Year ended March 31, 2019

(In U.S. dollars)

Nutrition International (the “Organization”) was incorporated as The Micronutrient Initiative on July 4, 2001 without share capital and continued under the Canada Not-for-profit Corporations Act. Nutritional International is a non-profit organization, as defined under subsection 149(1)(l) of the Income Tax Act (Canada), and as such is exempt from income taxes. Effective April 4, 2017, The Micronutrient Initiative amended their articles of incorporation and changed its name to Nutrition International (the “Organization”).

The Organization’s vision is a world where everyone, everywhere, is free from malnutrition and able to reach their full potential. Its primary objectives are:

- Reach vulnerable populations (especially women and girls, targeted based on need) with core nutrition interventions in order to reduce child mortality, prevent anemia, stunting and low birth weight, and improve human capital;
- Utilize non-nutrition platforms, innovative finance and technology to amplify impact and reduce missed opportunities, working with gender-responsive partners;
- Improve international, national and local resources, evidence, policies and gender-sensitive programs for nutrition scale-up; and
- Mainstream gender equality throughout all aspects of NI programs and business models to promote gender equality and women and girls’ empowerment. Gender-responsive and gender-sensitive programming to achieve coverage, leverage and influence will be informed by intentional gender-based analysis.

1. Significant accounting policies:

The consolidated financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CPA Canada Handbook – Accounting and include the assets, liabilities and results of operations of the Organization's Canadian operations and its 10 (2018 - 10) foreign country offices (Bangladesh, Ethiopia, India, Indonesia, Kenya, Nigeria, Pakistan, Philippines, Senegal and Tanzania). Results of operations also include Technical Assistance to an additional 8 (2018 - 5) countries and Vitamin A supplements to an additional 51 (2018 - 50) countries.

The significant accounting policies are as follows:

(a) Revenue recognition:

The Organization follows the deferral method of accounting for contributions for not-for-profit organizations.

NUTRITION INTERNATIONAL

(FORMERLY THE MICRONUTRIENT INITIATIVE)
Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2019
(In U.S. dollars)

1. Significant accounting policies (continued):

(a) Revenue recognition (continued):

Grants and contribution revenue is recognized when matching expenditures have been incurred on specific projects or when amounts are received or receivable if there are no specific restrictions on the amount. Revenue relating to specific projects extending beyond the end of the year is deferred to the extent that matching expenditures have not been incurred.

The terms of contribution agreements with funding agencies allows them to conduct audits to ensure project expenditures are in accordance with terms and conditions of the funding agreement. Ineligible expenditures, if any, may result in the Organization reimbursing a portion of the funding. Management believes that the Organization has incurred no material ineligible expenditures, and has, therefore, not recorded any liability for reimbursement.

Contributions-in-kind are recorded as revenue and program activities expense at fair value.

(b) Tangible capital and intangible assets:

Tangible capital and intangible assets are initially recorded at cost and are then amortized over their estimated useful service lives at the following annual rates:

Asset	Basis	Rate
Computer equipment	Declining balance	30%
Office equipment	Declining balance	20%
Computer software	Declining balance	100%
Project vehicles	Straight-line	5 years
Leasehold improvements	Straight-line	Over the term of the lease

Tangible capital and intangible assets acquired in the year (with the exception of leasehold improvements and project vehicles) are amortized at one-half the annual rate.

Tangible capital and intangible assets acquired for direct use in projects are expensed in the year of acquisition.

(c) Foreign currency translation:

Revenue and expenses in foreign currencies are translated into Canadian dollars (the functional currency) at the rate of exchange in effect on the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange in effect at year-end. Gains and losses resulting from the remeasurement of these amounts are reflected in net revenue for the year. Non-monetary assets and liabilities and any related amortization of such items are translated at the historical exchange rates.

NUTRITION INTERNATIONAL

(FORMERLY THE MICRONUTRIENT INITIATIVE)
Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2019
(In U.S. dollars)

1. Significant accounting policies (continued):

(c) Foreign currency translation (continued):

The accounts are then translated into US dollars (the reporting currency) using the current rate method.

Under the current rate method, revenue and expenses are translated into the reporting currency using the rates in effect at the dates of the transactions and assets and liabilities are translated using the exchange rate at the end of the year. Exchange gains and losses arising from these transactions are reflected in net assets as a cumulative translation adjustment.

(d) Use of estimates:

The preparation of the consolidated financial statements 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 consolidated financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates. These estimates are reviewed annually and as adjustments become necessary, they are recognized in the financial statements in the period in which they become known.

2. Tangible capital and intangible assets:

			2019	2018
	Cost	Accumulated amortization	Net book value	Net book value
Tangible capital assets:				
Computer equipment	\$ 344,014	\$ 260,972	\$ 83,042	\$ 101,247
Office equipment	741,239	479,102	262,137	276,753
Project vehicles	113,688	77,700	35,988	60,741
Leasehold improvements	1,497,867	817,485	680,382	718,818
Intangible assets:				
Computer software	288,937	277,433	11,504	55,730
	<u>\$ 2,985,745</u>	<u>\$ 1,912,692</u>	<u>\$ 1,073,053</u>	<u>\$ 1,213,289</u>

Cost and accumulated amortization at March 31, 2018 amounted to \$2,875,288 and \$1,661,999, respectively.

NUTRITION INTERNATIONAL

(FORMERLY THE MICRONUTRIENT INITIATIVE)
Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2019
(In U.S. dollars)

3. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$62,450 (2018 - \$66,081), which includes amounts payable for payroll withholding taxes.

4. Deferred contributions:

	Global Affairs		2019	2018
	Canada	Other	Total	Total
Balance, beginning of year	\$ 14,735,668	\$ 11,335,784	\$ 26,071,452	\$ 30,550,195
Current year contributions	43,756,670	12,064,827	55,821,497	52,997,455
Revenue recognized	(48,175,691)	(11,250,483)	(59,426,174)	(58,456,820)
Translation adjustment	(411,078)	(389,469)	(800,547)	980,622
Balance, end of year	\$ 9,905,569	\$ 11,760,659	\$ 21,666,228	\$ 26,071,452

Contribution revenue includes \$19,062 (2018 - \$19,891) of contributions-in-kind.

5. Other income:

Included in other income is \$750,881 (2018 - \$460,778) of interest income earned on cash.

6. Program interventions:

	2019	2018
Vitamin A	\$ 4,872,328	\$ 5,168,224
Adolescents and women of reproductive age	5,841,230	4,461,779
Fortification	6,969,766	6,312,163
Zinc	2,028,061	2,626,921
Infant and young child nutrition	2,401,835	4,327,892
Pregnant women and newborns	6,414,735	6,428,718
Cross cutting	9,430,235	5,925,991
Other	6,655,706	8,293,368
	\$ 44,613,896	\$ 43,545,056

NUTRITION INTERNATIONAL

(FORMERLY THE MICRONUTRIENT INITIATIVE)
Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2019
(In U.S. dollars)

7. Significant influence:

The Organization exercises significant influence over The Micronutrient Initiative India Trust (the "Trust") through Board of Trustees representation. The Trust was established in 2006 as a public and charitable trust in India. Its purpose is to reduce poverty, hunger and malnutrition, improve maternal and child health, and contribute overall to survival, education and development of children in India. The Micronutrient Initiative name has been licensed to the Trust for non-exclusive use in India. The Board of the Trust approved its wind-up as of March 31, 2015 and that process is ongoing.

8. Financial instruments:

Cash denominated in foreign currencies amounts to \$1,620,419 (2018 - \$2,260,349), of which \$235,373 (2018 - \$588,239) is denominated in U.S. dollars.

Amounts receivable denominated in foreign currencies amount to \$1,639,142 (2018 - \$1,462,791). Accounts payable and accrued liabilities denominated in foreign currencies amount to \$3,961,362 (2018 - \$2,419,871).

9. Commitments:

The Organization is committed under operating leases for the rental of office space and services. Minimum annual payments under the terms of these agreements are as follows:

2020	\$	1,284,000
2021		1,001,000
2022		792,000
2023		623,000
2024		632,000
Thereafter		790,000
	\$	<u>5,122,000</u>

The Organization has ongoing contracts with Global Affairs Canada and other organizations against which it committed \$22,139,971 (2018 - \$28,907,985) to executing agencies for the completion of current projects.

REPORT ON SUPPLEMENTARY MATTERS ARISING FROM AN AUDIT

To the Members of Nutrition International

Other Reporting Responsibility

We have been engaged to report on the supplementary information included in the accompanying schedule as at and for the year ended March 31, 2019 ("Other Reporting Responsibility").

The supplementary information included in the accompanying Schedule of Deferred Contributions - Alternate Presentation for the Department for International Development (DFID) as at and for the year ended March 31, 2019 ("Supplementary Information") was prepared by management.

This other reporting responsibility relates to our audit of the financial statements of Nutrition International as at and for the year ended March 31, 2019.

We expressed an unmodified audit opinion on these consolidated financial statements on June 21, 2018.

This report has been prepared in accordance with Canadian Standard on Related Services (CSRS) 4460, Reports on Supplementary Matters arising from an Audit or a Review Engagement. Our responsibility is to report on the supplementary matter. This standard requires us to comply with ethical requirements and to plan and perform procedures to address the other reporting responsibility.

The procedures were selected based on our professional judgement to enable us to form a basis for this report. The procedures vary in nature from, and are less in extent than, those required when providing an audit opinion or review conclusion. Users are cautioned that the procedures performed may not be suitable for their purposes.

We do not express an audit opinion or review conclusion on the supplementary matter.

In response to the other reporting responsibility, we report that the supplementary information is derived from the underlying accounting and other records used to prepare the consolidated financial statements referred above.

This report is intended solely for use by the Members of Nutrition International, DFID and should not be used by other parties and should not be used by other parties.

Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Canada

June 21, 2019

NUTRITION INTERNATIONAL

(FORMERLY THE MICRONUTRIENT INITIATIVE)

Schedule of Deferred Contributions - Alternate Presentation for DFID

Year ended March 31, 2019

(Unaudited)

(In U.S. dollars)

	Global Affairs Canada	DFID	Other	Total
Balance, March 31, 2017	\$ 26,222,390	\$ 100,018	\$ 4,227,787	\$ 30,550,195
Grant received	38,943,843	3,188,720	10,864,892	52,997,455
Total expenditure	(51,313,344)	(2,480,182)	(4,663,294)	(58,456,820)
Translation adjustment	882,779	(673)	98,516	980,622
Balance, March 31, 2018	\$ 14,735,668	\$ 807,883	\$ 10,527,901	\$ 26,071,452
Grant received	43,756,670	4,972,053	7,092,774	55,821,497
Total expenditure	(48,175,961)	(4,642,987)	(6,607,227)	(59,426,175)
Translation adjustment	(411,078)	(32,466)	(357,002)	(800,546)
Balance, March 31, 2019	\$ 9,905,299	\$ 1,104,483	\$ 10,656,446	\$ 21,666,228

(In Pounds)

	DFID
Balance - March 31, 2017	£ 76,054
Grant received	2,406,686
Total expenditure	(1,922,688)
Balance, March 31, 2018	560,052
Grant received	3,785,674
Total expenditure	(3,535,127)
Balance, March 31, 2019	£ 810,599