Micronutrient Initiative

Financial Statements
March 31, 2014
(expressed in US dollars)

June 20, 2014

Independent Auditor's Report

To the Members of
The Micronutrient Initiative

Report on the financial statements

We have audited the accompanying financial statements of The Micronutrient Initiative, which comprise the statement of net assets as at March 31, 2014 and the statements of changes in net assets, activities and cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility 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.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and 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 auditor's 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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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 present fairly, in all material respects, the financial position of The Micronutrient Initiative as at March 31, 2014, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Report on other legal and regulatory requirements

As required by the *Canada Corporations Act*, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

The Micronutrient Initiative

Statement of Net Assets

As at March 31, 2014

(expressed in US dollars)

	2014 $	2013 $
Assets		
Current assets		
Cash	34,073,010	35,824,780
Amounts receivable	1,275,565	1,315,397
Prepaid expenses	680,546	675,786
	36,029,121	37,815,963
Capital assets (note 3)	483,766	665,556
	36,512,887	38,481,519
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 5)	2,439,897	2,105,583
Deferred project contracts (note 6)	26,067,236	27,814,008
	28,507,133	29,919,591
Lease inducement	86,083	129,431
	28,593,216	30,049,022
Net Assets	7,919,671	8,432,497
Net assets are comprised of:		
Unrestricted	6,951,297	6,777,724
Cumulative translation adjustment	968,374	1,654,773
	7,919,671	8,432,497

Approved by the Board of Directors

Robert L Nixon Director ____________________ Director

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

The Micronutrient Initiative

Statement of Changes in Net Assets

For the year ended March 31, 2014

(expressed in US dollars)

	Unrestricted $	Cumulative translation adjustment $	Total $
Balance – Beginning of year	6,777,724	1,654,773	8,432,497
Net revenue for the year	173,573	–	173,573
Translation adjustment	–	(686,399)	(686,399)
Balance – End of year	6,951,297	968,374	7,919,671

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

The Micronutrient Initiative

Statement of Activities

For the year ended March 31, 2014

(expressed in US dollars)

	2014 $	2013 $
Revenues		
Contracts (note 7)	53,034,894	47,421,374
Other income (note 8)	189,830	505,360
	53,224,724	47,926,734
Expenses		
Program activities		
Program interventions (note 9)	40,549,080	34,491,923
Vitamin and mineral supplement procurement	9,190,683	9,410,572
	49,739,763	43,902,495
Management and administration		
Salaries and benefits	2,159,686	2,104,309
Professional and advisory services	251,330	503,730
Information technology services	117,109	137,221
Office rent and utilities	245,020	230,059
Operational travel	159,862	226,382
Communications	51,300	48,949
Relocation	–	9,760
General	252,698	232,270
Amortization	74,383	106,381
	3,311,388	3,599,061
Total expenses	53,051,151	47,501,556
Net revenue for the year	173,573	425,178

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

The Micronutrient Initiative

Statement of Cash Flows

For the year ended March 31, 2014

(expressed in US dollars)

	2014 $	2013 $
Cash flows provided by (used in)		
Operating activities		
Net revenue for the year	173,573	425,178
Items not affecting cash –		
Amortization	180,716	217,937
Amortization of lease inducement	(34,565)	(36,360)
Loss on disposal of capital assets	11,079	3,380
Net change in non-cash working capital items –		
Amounts receivable	(69,223)	(837,245)
Prepaid expenses	(62,032)	(235,383)
Accounts payable and accrued liabilities	528,532	873,780
Deferred project contracts	514,533	(9,084,504)
	1,242,613	(8,673,217)
Investing activities		
Purchase of capital assets	(57,205)	(123,096)
Proceeds from sale of capital assets	–	96
Proceeds from sale of short-term investments	–	9,907,071
	(57,205)	9,784,071
Effect of foreign exchange on cash	(2,937,178)	(617,888)
Net change in cash for the year	(1,751,770)	492,966
Cash – Beginning of year	35,824,780	35,331,814
Cash – End of year	34,073,010	35,824,780

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

(expressed in US dollars)

1 Purpose of the Organization

The Micronutrient Initiative ("the Organization") was incorporated on July 4, 2001, without share capital, under Part II of the Canada Corporations Act. The Organization is a not-for-profit entity, as defined under subsection 149(1)(l) of the Income Tax Act, and as such is exempt from income taxes.

The primary objectives of the Organization are to:

- initiate and stimulate national actions to eliminate micronutrient malnutrition, assuring universal coverage and sustained impact;
- introduce and expand food fortification and dietary supplementation programs in areas of greatest need;
- advance global ability to address iron deficiency anaemia; and
- encourage international development efforts to alleviate the burden of micronutrient malnutrition.

These objectives are achieved through the funding of external projects with like goals.

2 Significant accounting policies

Basis of presentation

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the assets, liabilities and results of operations of the Organization's Canadian operations and its 13 foreign country offices (Afghanistan, Bangladesh, Bolivia, Burkina Faso, Ethiopia, India, Indonesia, Kenya, Nepal, Niger, Nigeria, Pakistan and Senegal).

Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations 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 dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from these estimates.

Foreign currency translation

Revenues and expenses in foreign currencies are translated into Canadian dollars (the measurement 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.

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

Under the current rate method, revenues 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.

(expressed in US dollars)

Revenue recognition

The Organization follows the deferral method of accounting for contributions.

Contract revenue is recognized using the percentage of completion method, based on the proportion of total contract expense incurred at year-end. Revenue relating to specific projects extending beyond the end of the year is deferred to the extent that matching expenditures have not been incurred. A loss is immediately recognized on projects when total expenses are expected to exceed total contributions.

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. No such amounts were recorded for fiscal 2013 or 2014.

Capital assets

Capital assets are initially recorded at cost and are then amortized over their estimated useful service lives, on a declining balance basis, at the following annual rates.

Computer equipment	30%
Office equipment	20%
Software	100%

Capital assets acquired in the year are amortized at one-half the annual rate.

Leasehold improvements are amortized on a straight-line basis over the life of the lease.

Capital assets acquired for direct use in projects are expensed in the year of acquisition.

Lease inducements

Lease inducements are amortized on a straight-line basis over the life of the lease.

(expressed in US dollars)

3 Capital assets

			2014
	Cost $	Accumulated amortization $	Net $
Computer equipment	445,388	368,609	76,779
Office equipment	643,502	450,011	193,491
Software	190,966	190,966	–
Leasehold improvements	712,162	498,666	213,496
	1,992,018	1,508,252	483,766

			2013
	Cost $	Accumulated amortization $	Net $
Computer equipment	500,835	405,389	95,446
Office equipment	696,982	445,063	251,919
Software	207,670	207,670	–
Leasehold improvements	775,413	457,222	318,191
	2,180,900	1,515,344	665,556

4 Financial instruments

Cash denominated in foreign currencies amounts to $5,131,081 (2013 – $2,667,559), of which $4,495,392 (2013 – $2,176,629) is denominated in US dollars.

At March 31, 2013, 61% of amounts receivable were owing from one funder. No significant concentration of credit risk exists in the current year.

5 Government remittances

Government remittances (payroll withholding taxes) of $57,873 (2013 – $12,908) are included in accounts payable and accrued liabilities.

(expressed in US dollars)

6 Deferred project contracts

	2014 $	2013 $
Balance – Beginning of year	27,814,008	37,400,132
Current year contributions	53,549,428	38,336,747
Revenue recognized	(53,034,894)	(47,421,374)
Translation adjustment	(2,261,306)	(501,497)
Balance – End of year	26,067,236	27,814,008

At year-end, $22,976,614 (2013 – $25,499,462) of deferred revenue related to Department of Foreign Affairs, Trade and Development Canada (DFATD) contracts and $3,090,622 (2013 – $2,314,546) related to contracts from other funding agencies.

7 Contract revenue

During the year, $48,208,008 (2013 – $42,381,498) of contract revenue related to DFATD contracts, and $4,826,886 (2013 – $5,039,876) related to contracts from other funding agencies.

8 Other income

Included in other income is $649,345 (2013 – $756,957) of interest income earned on cash and short-term investments.

9 Program interventions

	2014 $	2013 $
Vitamin A interventions	9,238,284	10,353,567
Iron interventions	5,313,901	3,607,714
Iodine interventions	5,492,355	5,801,896
Zinc interventions	11,075,416	8,716,072
Acute malnutrition interventions	2,504,223	1,578,627
Community based MNCH interventions	4,425,906	2,364,270
Other interventions	2,498,995	2,069,777
	40,549,080	34,491,923

(expressed in US dollars)

10 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.

11 Related party transactions

The Organization has provided funding in the amount of $1,991,617 (2013 – $2,268,381) to the Trust to fund program activities. The Organization also provides certain support services to the Trust at no cost.

12 Commitments

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

	$
Year ending March 31, 2015	750,000
2016	590,000
2017	275,000

The Organization has ongoing contracts with DFATD and other organizations against which it committed $17,629,073 (2013 – $21,123,127) to executing agencies for the completion of current projects.