Consolidated Financial Statements of

NUTRITION INTERNATIONAL

And Independent Auditors' Report thereon

Year ended March 31, 2022
(In U.S. dollars)

KPMG LLP
150 Elgin Street, Suite 1800
Ottawa ON K2P 2P8
Canada
Tel 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, 2022
- 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 consolidated financial position of the Organization as at March 31, 2022, and its consolidated results of operations, its consolidated 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 ethical 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, 2022. We have issued an unmodified audit opinion on those consolidated financial statements dated July 11, 2022.

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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Canada

July 11, 2022

NUTRITION INTERNATIONAL

Consolidated Statement of Financial Position

March 31, 2022, with comparative information for 2021
(In U.S. dollars)

	2022	2021
Assets		
Current assets:		
Cash	$ 28,556,608	$ 16,244,255
Short-term Investments (note 2)	20,874,485	20,666,465
Accounts receivable	4,175,841	26,892,857
Prepaid expenses	1,259,181	1,052,278
	54,866,115	64,855,855
Investments (note 2)	4,614,045	2,362,429
Tangible capital and intangible assets (note 3)	698,254	633,124
	$ 60,178,414	$ 67,851,408
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities (note 4)	$ 4,557,786	$ 9,384,341
Deferred contributions (note 5)	42,418,452	45,111,602
	46,976,238	54,495,943
Net assets:		
Unrestricted	12,870,179	13,107,143
Cumulative translation adjustment	331,997	248,322
	13,202,176	13,355,465
Commitments (note 9)		
	$ 60,178,414	$ 67,851,408

See accompanying notes to consolidated financial statements.

On behalf of the Board of Directors:

DocuSigned by:
Masood Ahmed
3DB0AFF2B2D1407... Director

DocuSigned by:
David de Ferranti
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NUTRITION INTERNATIONAL

Consolidated Statement of Operations

Year ended March 31, 2022, with comparative information for 2021
(In U.S. dollars)

	2022	2021
Revenue:		
Grants and contributions (note 5)	$ 60,262,979	$ 52,886,776
Change in fair value of investments	(237,537)	(35,442)
Other income (losses) (note 6)	5,332	(310,242)
	60,030,774	52,541,092
Expenses:		
Program interventions (note 7)	55,077,869	43,636,189
Management and administration:		
Salaries and benefits	3,428,420	2,940,850
Professional and advisory services	1,013,424	855,185
Information technology services	54,476	57,202
Office rent and utilities	246,026	266,402
Operational travel	1,208	3,412
Communications	21,633	20,380
General	359,256	176,544
Amortization of tangible capital and intangible assets	65,426	91,773
	5,189,869	4,411,748
	60,267,738	48,047,937
Excess (deficiency) of revenue over expenses	$ (236,964)	$ 4,493,155

See accompanying notes to consolidated financial statements.

NUTRITION INTERNATIONAL

Consolidated Statement of Changes in Net Assets

Year ended March 31, 2022, with comparative information for 2021
(In U.S. dollars)

	Unrestricted	Cumulative translation adjustment	2022 Total	2021 Total
Net assets (deficiency), beginning of year	$ 13,107,143	$ 248,322	$ 13,355,465	$ 7,651,369
Excess (deficiency) of revenue over expenses	(236,964)	–	(236,964)	4,493,155
Translation adjustment	–	83,675	83,675	1,210,941
Net assets end of year	$ 12,870,179	$ 331,997	$ 13,202,176	$ 13,355,465

See accompanying notes to consolidated financial statements.

NUTRITION INTERNATIONAL

Consolidated Statement of Cash Flows

Year ended March 31, 2022, with comparative information for 2021
(In U.S. dollars)

	2022	2021
Cash provided by (used in):		
Operating activities:		
Excess (deficiency) of revenue over expenses	$ (236,964)	$ 4,493,155
Items not involving cash:		
Amortization of tangible capital and intangible assets	307,346	473,352
Loss on disposal of tangible capital and intangible assets	–	288
Change in non-cash operating working capital:		
Accounts receivable	22,814,005	(23,050,944)
Prepaid expenses	(199,611)	(176,551)
Accounts payable and accrued liabilities	(4,870,293)	2,866,288
Deferred contributions	(2,968,843)	28,670,948
	14,845,640	13,276,536
Investing activities:		
Purchase of tangible capital and intangible assets	(368,277)	(71,301)
Purchase of short-term investments	(77,119)	(19,659,641)
Purchase of long-term investments	(2,229,544)	(2,247,336)
	(2,674,940)	(21,978,278)
Effect of foreign exchange on cash	141,653	2,439,488
Increase (decrease) in cash	12,312,353	(6,262,254)
Cash, beginning of year	16,244,255	22,506,509
Cash, end of year	$ 28,556,608	$ 16,244,255

See accompanying notes to consolidated financial statements.

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 (2021 - 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 5 (2021 - 14) countries and Vitamin A supplements to an additional 36 (2021 - 47) countries, of which 17 countries (2021 – 0) received additional Vitamin A campaign support.

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.

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 straight-line rates:

Asset	Basis	Useful Life
Computer hardware	Straight-line	4 years
Office furniture	Straight-line	5 years
Office equipment (incl telephones)	Straight-line	5 years
Computer software	Straight-line	100% in the year put into use
Project vehicles	Straight-line	5 years or life of the lease
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.

1. **Significant accounting policies (continued):**

(c) Foreign currency translation (continued):

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, 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) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Organization has elected to carry its non-equity long-term investments at fair value and non-equity short-term investments at amortized cost.

Sales and purchases of investments are recorded on the trade date. Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Organization determines if there is a significant adverse change in the expected amount for timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Organization expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial impairment charge.

(In U.S. dollars)

1. Significant accounting policies (continued):

(e) 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. Investments:

Short-term investments

	2022 Fair market value	2022 Carrying value
Cash and cash equivalents	$ 2,221,472	$ 2,221,472
Fixed income	18,551,857	18,653,013
	$ 20,773,329	$ 20,874,485

	2021 Fair market value	2021 Carrying value
Cash and cash equivalents	$ 19,072,830	$ 19,072,830
Fixed income	1,593,635	1,593,635
	$ 20,666,465	$ 20,666,465

Carrying value for the short-term investments is equal to amortized cost.

Long-term investments

	2022 Fair market value	2021 Fair market value
Cash and cash equivalents	$ 155,969	$ 52,761
Fixed income	3,111,282	1,588,008
Equities	1,346,794	721,660
	$ 4,614,045	$ 2,362,429

(In U.S. dollars)

2. Investments (continued):

Short-term investments include restricted funds received under a contract for a specific purpose or project and which have not yet been spent, earned, or utilized for it's required objectives. Long-term investments include unrestricted net-assets not required in the short-term for operations or working capital.

3. Tangible capital and intangible assets:

	Cost	Accumulated amortization	2022 Net book value	2021 Net book value
Tangible capital assets:				
Computer equipment	$ 394,086	$ 356,723	$ 37,363	$ 12,022
Office equipment	1,125,750	831,167	294,583	98,383
Project vehicles	121,458	121,458	–	–
Leasehold improvements	1,754,258	1,387,950	366,308	522,719
Intangible assets:				
Computer software	314,460	314,460	–	–
	$ 3,710,012	$ 3,011,758	$ 698,254	$ 633,124

Cost and accumulated amortization at March 31, 2021 amounted to $3,362,821 and $2,729,697, respectively. During the year the Organization disposed of capital assets with a cost of $43,385 (2021 - $6,158) and accumulated amortization of $43,385 (2021 - $5,870) for a loss on disposal of $Nil (2021 - $288).

4. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of $85,073 (2021 - $56,158), which includes amounts payable for payroll withholding taxes.

(In U.S. dollars)

5. Deferred contributions:

	Global Affairs Canada	FCDO, UK	Other	2022 Total	2021 Total
Balance, beginning of year	$ 41,064,172	$ 1,265,231	$ 2,782,199	$ 45,111,602	$ 13,271,102
Current year contributions	44,095,593	1,037,222	12,344,720	57,477,535	85,734,517
Revenue recognized	(54,820,252)	(2,303,079)	(3,139,648)	(60,262,979)	(52,886,776)
Effect on foreign exchange	84,129	626	7,539	92,294	(1,007,241)
Balance, end of year	$ 30,423,642	$ –	$ 11,994,810	$ 42,418,452	$ 45,111,602

Contribution revenue includes $Nil (2021 - $6,015) of contributions-in-kind.

6. Other income:

Included in other income is $208,622 (2021 - $73,129) of interest income earned on cash and investments, the remaining balance is derived from foreign exchange losses on bank balances, transfers, contract advances and receivables.

7. Program interventions:

	2022	2021
Vitamin A	$ 26,223,435	$ 14,234,908
Adolescents’ and Women’s Nutrition	4,004,432	3,758,878
Universal Salt Iodization	2,878,355	2,405,953
Zinc and ORS	3,877,608	1,849,261
Infant and Young Child Nutrition	799,339	444,721
Research and Quality Assurance	3,274,148	1,550,968
Maternal and Newborn Health and Nutrition	6,352,396	4,536,013
Global Advocacy	1,142,260	1,107,572
Food Fortification	3,018,674	3,754,973
Integrated Nutrition Programs	696,894	5,287,754
Technical Assistance Mechanism	2,810,328	4,705,188
	$ 55,077,869	$ 43,636,189

Vitamin A intervention includes $9,906,487 (2021 - $11,470,308) of Vitamin A supplement procurement expenses.

(In U.S. dollars)

8. Related party:

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. In 2015 the Board of the Trust approved winding down its operations as the organizations' operations in India moved under a branch office registration. The Trust continues to meet its statutory reporting obligations in India and is part of an ongoing management review to restructure operations in India.

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:

2023	$ 1,418,952
2024	1,295,047
2025	980,367
2026	516,875
	$ 4,211,241

The Organization has ongoing contracts with Global Affairs Canada and other organizations against which it committed $18,667,741 (2021 - $15,237,532) to executing agencies for the completion of current projects.

10. Financial risks:

The Organization's financial instruments consist of cash, investments, accounts receivable, accounts payable and accrued liabilities and deferred contributions.

(a) Liquidity risk:

Liquidity risk is the risk that the Organization will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Organization manages its liquidity risk by monitoring its operating requirements. The Organization prepares budgets and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

10. Financial risks (continued):

(b) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Organization is exposed to credit risk with respect to the accounts receivable and its fixed income investments. The Organization assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. At year end, there were no amounts allowed for in accounts receivable. In its fixed income investments, the Organization manages this risk by only investing in investment products that are highly rated.

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign currency risk, interest rate risk and other price risk.

(i) Foreign currency risk:

The Organization is exposed to financial risks as a result of exchange rate fluctuations and the volatility of these rates. In the normal course of operations, the Organization derives some of its grant revenues in various foreign currencies. The Organization does not enter into forward contracts to mitigate risk.

Cash denominated in foreign currencies amounts to $10,563,180 (2021 - $3,151,728), of which $8,854,893 (2021 - $1,900,792) is denominated in U.S. dollars.

Amounts receivable denominated in foreign currencies amount to $1,890,656 (2021 - $1,818,270). Accounts payable and accrued liabilities denominated in foreign currencies amount to $3,022,850 (2021 - $3,105,961).

(ii) Interest rate risk:

The Organization is exposed to interest rate risk with respect to its interest-bearing investments as disclosed in note 2.

(iii) Other price risk:

Other price risk is the risk that the fair value or future cash flows of an investment will fluctuate because of changes in market prices (other than those arising from foreign currency risk and interest rate risk), whether those changes are caused by factors specific to an individual investment or its issuer or factors affecting all similar securities traded in the market. All investments present a risk of loss of capital. The maximum risk resulting from investments is equivalent to their fair value. As some of the Organization’s investments are carried at fair value the related fair value changes are recognized in the statement of operations.