Consolidated Financial Statements of

THE MICRONUTRIENT INITIATIVE

Year ended March 31, 2017
(In U.S. dollars)

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INDEPENDENT AUDITORS' REPORT

To the Members of Micronutrient Initiative

We have audited the accompanying consolidated financial statements of The Micronutrient Initiative, which comprise the consolidated statement of financial position as at March 31, 2017, the consolidated statements of operations, changes in net assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of The Micronutrient Initiative as at March 31, 2017, and its consolidated 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.

Other Matter

The financial statements of The Micronutrient Initiative as at and for the year ended March 31, 2016 were audited by another auditor who expressed an unmodified opinion on those statements on June 14, 2016.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

July 20, 2017

Ottawa, Canada

THE MICRONUTRIENT INITIATIVE

Consolidated Statement of Financial Position

March 31, 2017, with comparative information for 2016
(In U.S. dollars)

	2017	2016
Assets		
Current assets:		
Cash	$ 37,119,300	$ 37,530,150
Accounts receivable	1,635,887	447,488
Prepaid expenses	882,072	621,888
	39,637,259	38,599,526
Tangible capital and intangible assets (note 2)	1,302,139	1,038,597
	$ 40,939,398	$ 39,638,123
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities (note 3)	$ 3,111,150	$ 3,377,382
Deferred project contracts (note 4)	30,550,195	28,581,550
	33,661,345	31,958,932
Net assets:		
Unrestricted	7,729,737	7,947,531
Cumulative translation adjustment	(451,684)	(268,340)
	7,278,053	7,679,191
Commitments (note 10)		
	$ 40,939,398	$ 39,638,123

See accompanying notes to consolidated financial statements.

On behalf of the Board of Directors:

Director — Masood Ahmed

Director — David de Ferranti

THE MICRONUTRIENT INITIATIVE

Consolidated Statement of Operations

Year ended March 31, 2017, with comparative information for 2016
(In U.S. dollars)

	2017	2016
Revenue:		
Contract revenue (note 4)	$ 41,371,889	$ 42,097,447
Other income (loss) (note 5)	(219,619)	489,348
	41,152,270	42,586,795
Expenses:		
Program activities:		
Program interventions (note 6)	31,757,565	31,188,411
Vitamin and mineral supplement procurement	5,157,757	7,178,298
	36,915,322	38,366,709
Management and administration:		
Salaries and benefits	2,773,199	2,196,955
Professional and advisory services	537,334	557,503
Information technology services	138,966	110,272
Office rent and utilities	353,642	293,622
Operational travel	136,093	124,349
Communications	43,758	43,708
General	305,893	272,995
Amortization of tangible capital and intangible assets	165,857	128,835
	4,454,742	3,728,239
	41,370,064	42,094,948
Excess of revenue over expenses (expenses over revenue)	$ (217,794)	$ 491,847

See accompanying notes to consolidated financial statements.

THE MICRONUTRIENT INITIATIVE

Consolidated Statement of Changes in Net Assets

Year ended March 31, 2017, with comparative information for 2016
(In U.S. dollars)

	Unrestricted	Cumulative translation adjustment	2017 Total	2016 Total
Net assets (deficiency), beginning of year	$ 7,947,531	$ (268,340)	$ 7,679,191	$ 7,364,564
Excess of revenue over expenses (expenses over revenue)	(217,794)	–	(217,794)	491,847
Translation adjustment	–	(183,344)	(183,344)	(177,220)
Net assets (deficiency), end of year	$ 7,729,737	$ (451,684)	$ 7,278,053	$ 7,679,191

See accompanying notes to consolidated financial statements.

THE MICRONUTRIENT INITIATIVE

Consolidated Statement of Cash Flows

Year ended March 31, 2017, with comparative information for 2016
(In U.S. dollars)

	2017	2016
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses (expenses over revenue)	$ (217,794)	$ 491,847
Items not involving cash:		
Amortization of tangible capital and intangible assets	288,559	227,418
Amortization of lease inducement	–	(44,792)
Loss on disposal of tangible capital and intangible assets	9,821	7,638
Change in non-cash operating working capital:		
Accounts receivable	(1,216,070)	775,172
Prepaid expenses	(279,135)	5,515
Accounts payable and accrued liabilities	(186,854)	1,366,247
Deferred project contracts	2,699,566	(22,375,307)
	1,098,093	(19,546,262)
Investing activities:		
Additions to tangible capital and intangible assets	(591,174)	(914,756)
Proceeds from disposal of tangible capital and intangible assets	–	275
	(591,174)	(914,481)
Effect of foreign exchange on cash	(917,769)	(1,674,845)
Decrease in cash	(410,850)	(22,135,588)
Cash, beginning of year	37,530,150	59,665,738
Cash, end of year	$ 37,119,300	$ 37,530,150

See accompanying notes to consolidated financial statements.

The Micronutrient Initiative (the "Organization") was incorporated on July 4, 2001 without share capital and continued under the Canada Not-for-profit Corporations Act. The Organization 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 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.

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 (2016 - 12) foreign country offices (Bangladesh, Ethiopia, India, Indonesia, Kenya, Nigeria, Pakistan, Philippines, Senegal and Tanzania).

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.

Contract 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.

1. Significant accounting policies (continued):

(a) Revenue recognition (continued):

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 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.

(In U.S. dollars)

1. Significant accounting policies (continued):

(c) Foreign currency translation (continued):

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.

2. Tangible capital and intangible assets:

			2017	2016
	Cost	Accumulated amortization	Net book value	Net book value
Tangible capital assets:				
Computer equipment	$ 285,988	$ 198,099	$ 87,889	$ 54,017
Office equipment	743,092	410,163	332,929	257,789
Project vehicles	114,030	32,314	81,716	107,126
Leasehold improvements	1,378,829	590,914	787,915	608,217
Intangible assets:				
Computer software	182,549	170,859	11,690	11,448
	$ 2,704,488	$ 1,402,349	$ 1,302,139	$ 1,038,597

Cost and accumulated amortization at March 31, 2016 amounted to $2,324,457 and $1,285,860, respectively.

3. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of $53,114 (2016 - $16,236), which includes amounts payable for payroll withholding taxes.

(In U.S. dollars)

4. Deferred project contracts and contract revenue:

	Global Affairs Canada	Other	2017 Total	2016 Total
Balance, beginning of year	$ 25,503,182	$ 3,078,368	$ 28,581,550	$ 52,472,632
Current year contributions	38,092,343	5,979,111	44,071,454	19,722,139
Revenue recognized	(36,735,480)	(4,636,409)	(41,371,889)	(42,097,447)
Translation adjustment	(637,655)	(93,265)	(730,920)	(1,515,774)
Balance, end of year	$ 26,222,390	$ 4,327,805	$ 30,550,195	$ 28,581,550

Contract revenue includes $14,780 (2016 - $10,981) of contributions-in-kind.

5. Other income:

Included in other income (loss) is $408,125 (2016 - $487,812) of interest income earned on cash.

6. Program interventions:

	2017	2016
Vitamin A interventions	$ 5,150,194	$ 7,298,206
Adolescents and women of reproductive age interventions	3,648,746	3,206,250
Iodine interventions	5,591,597	4,373,594
Zinc interventions	2,101,072	4,246,298
Infant and young child nutrition interventions	2,366,435	4,630,700
Pregnant women and newborns interventions	3,492,807	1,775,471
Cross cutting interventions	4,700,418	2,729,958
Other interventions	4,706,296	2,927,934
	$ 31,757,565	$ 31,188,411

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. Related party transactions:

The Organization provides certain support services to the Trust at no cost. At year-end, $11,656 (2016 - $11,946) was receivable from the Trust.

9. Financial instruments:

Cash denominated in foreign currencies amounts to $2,066,252 (2016 - $4,062,881), of which $1,404,224 (2016 - $3,547,337) is denominated in U.S. dollars.

Amounts receivable denominated in foreign currencies amount to $1,297,066 (2016 - $115,504). Accounts payable and accrued liabilities denominated in foreign currencies amount to $2,474,406 (2016 - $1,813,162).

10. 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:

2018	$ 939,000
2019	772,000
2020	714,000
2021	684,000
2022	634,000
Thereafter	1,821,000
	$ 5,564,000

The Organization has ongoing contracts with Global Affairs Canada and other organizations against which it committed $19,978,211 (2016 - $9,843,201) to executing agencies for the completion of current projects.