Consolidated Financial Statements of

NUTRITION INTERNATIONAL

(FORMERLY THE MICRONUTRIENT INITIATIVE)

Year ended March 31, 2018
(In U.S. dollars)

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INDEPENDENT AUDITORS' REPORT

To the Members of Nutrition International

We have audited the accompanying consolidated financial statements of Nutrition International (formerly The Micronutrient Initiative) which comprise the consolidated statement of financial position as at March 31, 2018, 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.

KPMG

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 Nutrition International as at March 31, 2018, 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.

Emphasis of Matter

These consolidated financial statements are prepared using Canadian dollars as the functional currency and United States dollar as the reporting currency as disclosed in note 1(c). To fulfill the requirements of certain Nutrition International funders, Management has also prepared consolidated financial statements using Canadian dollars as the reporting currency for the year ended March 31, 2018. We have issued an unmodified audit opinion on these consolidated financial statements dated June 20, 2018.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Canada

June 20, 2018

NUTRITION INTERNATIONAL

(FORMERLY THE MICRONUTRIENT INITIATIVE)
Consolidated Statement of Financial Position

March 31, 2018, with comparative information for 2017
(In U.S. dollars)

	2018	2017
Assets		
Current assets:		
Cash	$ 32,121,569	$ 37,119,300
Accounts receivable	2,875,299	1,635,887
Prepaid expenses	928,309	882,072
	35,925,177	39,637,259
Tangible capital and intangible assets (note 2)	1,213,289	1,302,139
	$ 37,138,466	$ 40,939,398
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities (note 3)	$ 3,453,754	$ 3,111,150
Deferred contributions (note 4)	26,071,452	30,550,195
	29,525,206	33,661,345
Net assets:		
Unrestricted	7,838,863	7,729,737
Cumulative translation adjustment	(225,603)	(451,684)
	7,613,260	7,278,053
Commitments (note 10)		
	$ 37,138,466	$ 40,939,398

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, 2018, with comparative information for 2017
(In U.S. dollars)

	2018	2017
Revenue:		
Grants and contributions (note 4)	$ 58,456,820	$ 41,371,889
Other income (loss) (note 5)	100,571	(219,619)
	58,557,391	41,152,270
Expenses:		
Program activities:		
Program interventions (note 6)	43,545,056	31,757,565
Vitamin and mineral supplement procurement	10,161,792	5,157,757
	53,706,848	36,915,322
Management and administration:		
Salaries and benefits	2,976,060	2,773,199
Professional and advisory services	835,291	537,334
Information technology services	65,651	138,966
Office rent and utilities	384,584	353,642
Operational travel	114,162	136,093
Communications	28,495	43,758
General	240,786	305,893
Amortization of tangible capital and intangible assets	96,388	165,857
	4,741,417	4,454,742
	58,448,265	41,370,064
Excess of revenue over expenses (expenses over revenue)	$ 109,126	$ (217,794)

See accompanying notes to consolidated financial statements.

NUTRITION INTERNATIONAL

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

Year ended March 31, 2018, with comparative information for 2017
(In U.S. dollars)

	Unrestricted	Cumulative translation adjustment	2018 Total	2017 Total
Net assets (deficiency), beginning of year	$ 7,729,737	$ (451,684)	$ 7,278,053	$ 7,679,191
Excess of revenue over expenses (expenses over revenue)	109,126	–	109,126	(217,794)
Translation adjustment	–	226,081	226,081	(183,344)
Net assets (deficiency), end of year	$ 7,838,863	$ (225,603)	$ 7,613,260	$ 7,278,053

See accompanying notes to consolidated financial statements.

NUTRITION INTERNATIONAL

(FORMERLY THE MICRONUTRIENT INITIATIVE)
Consolidated Statement of Cash Flows

Year ended March 31, 2018, with comparative information for 2017
(In U.S. dollars)

	2018	2017
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses (expenses over revenue)	$ 109,126	$ (217,794)
Items not involving cash:		
Amortization of tangible capital and intangible assets	372,738	288,559
Loss on disposal of tangible capital and intangible assets	8,911	9,821
Change in non-cash operating working capital:		
Accounts receivable	(1,194,852)	(1,216,070)
Prepaid expenses	(18,867)	(279,135)
Accounts payable and accrued liabilities	247,032	(186,854)
Deferred contributions	(5,459,365)	2,699,566
	(5,935,277)	1,098,093
Investing activities:		
Additions to tangible capital and intangible assets	(252,558)	(591,174)
Proceeds from the sale of capital assets	1,008	–
	(251,550)	(591,174)
Effect of foreign exchange on cash	1,189,096	(917,769)
Decrease in cash	(4,997,731)	(410,850)
Cash, beginning of year	37,119,300	37,530,150
Cash, end of year	$ 32,121,569	$ 37,119,300

See accompanying notes to consolidated financial statements.

The Micronutrient Initiative was incorporated on July 4, 2001 without share capital and continued under the Canada Not-for-profit Corporations Act. The Micronutrient Initiative 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 (2017 - 10) 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.

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.

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 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.

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. 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:

			2018	2017
	Cost	Accumulated amortization	Net book value	Net book value
Tangible capital assets:				
Computer equipment	$ 333,975	$ 232,728	$ 101,247	$ 87,889
Office equipment	725,771	449,018	276,753	332,929
Project vehicles	117,581	56,840	60,741	81,716
Leasehold improvements	1,411,629	692,811	718,818	787,915
Intangible assets:				
Computer software	286,332	230,602	55,730	11,690
	$ 2,875,288	$ 1,661,999	$ 1,213,289	$ 1,302,139

Cost and accumulated amortization at March 31, 2017 amounted to $2,704,488 and $1,402,349, respectively.

3. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of $66,081 (2017 - $53,114), which includes amounts payable for payroll withholding taxes.

(In U.S. dollars)

4. Deferred contributions:

	Global Affairs Canada	Other	2018 Total	2017 Total
Balance, beginning of year	$ 26,222,390	$ 4,327,805	$ 30,550,195	$ 28,581,550
Current year contributions	38,943,843	14,053,612	52,997,455	44,071,454
Revenue recognized	(51,313,344)	(7,143,476)	(58,456,820)	(41,371,889)
Translation adjustment	882,779	97,843	980,622	(730,920)
Balance, end of year	$ 14,735,668	$ 11,335,784	$ 26,071,452	$ 30,550,195

Contribution revenue includes $19,891 (2017 - $14,780) of contributions-in-kind.

5. Other income (loss):

Included in other income (loss) is $460,778 (2017 - $408,125) of interest income earned on cash.

6. Program interventions:

	2018	2017
Vitamin A	$ 5,168,224	$ 5,150,194
Adolescents and women of reproductive age	4,461,779	3,648,746
Fortification	6,312,163	5,591,597
Zinc	2,626,921	2,101,072
Infant and young child nutrition	4,327,892	2,366,435
Pregnant women and newborns	6,428,718	3,492,807
Cross cutting	5,925,991	4,700,418
Other	8,293,368	4,706,296
	$ 43,545,056	$ 31,757,565

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, $Nil (2017 - $11,656) was receivable from the Trust.

9. Financial instruments:

Cash denominated in foreign currencies amounts to $2,260,349 (2017 - $2,066,252), of which $588,239 (2017 - $1,404,224) is denominated in U.S. dollars.

Amounts receivable denominated in foreign currencies amount to $1,462,791 (2017 - $1,297,066). Accounts payable and accrued liabilities denominated in foreign currencies amount to $2,419,871 (2017 - $2,474,406).

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:

2019	$ 1,312,000
2020	1,153,000
2021	873,000
2022	764,000
2023	657,000
Thereafter	819,000
	$ 5,578,000

The Organization has ongoing contracts with Global Affairs Canada and other organizations against which it committed $28,907,985 (2017 - $19,978,211) to executing agencies for the completion of current projects.