Micronutrient Initiative

Financial Statements
March 31, 2015
(expressed in US dollars)

June 18, 2015

Independent Auditor's Report

To the Members of
The Micronutrient Initiative

We have audited the accompanying financial statements of The Micronutrient Initiative, which comprise the statement of net assets as at March 31, 2015 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, 2015, 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.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

The Micronutrient Initiative

Statement of Net Assets

As at March 31, 2015

(expressed in US dollars)

	2015 $	2014 $
Assets		
Current assets		
Cash	59,665,738	34,073,010
Amounts receivable	1,261,419	1,275,565
Prepaid expenses	643,358	680,546
	61,570,515	36,029,121
Capital assets (note 3)	361,462	483,766
	61,931,977	36,512,887
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 5)	2,048,405	2,439,897
Deferred project contracts (note 6)	52,472,632	26,067,236
	54,521,037	28,507,133
Lease inducement	46,376	86,083
	54,567,413	28,593,216
Net Assets	7,364,564	7,919,671
Net assets are comprised of:		
Unrestricted	7,455,684	6,951,297
Cumulative translation adjustment	(91,120)	968,374
	7,364,564	7,919,671

Approved by the Board of Directors

_______________ 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, 2015

(expressed in US dollars)

	Unrestricted $	Cumulative translation adjustment $	Total $
Balance – Beginning of year	6,951,297	968,374	7,919,671
Net revenue for the year	504,387	–	504,387
Translation adjustment	–	(1,059,494)	(1,059,494)
Balance – End of year	7,455,684	(91,120)	7,364,564

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

The Micronutrient Initiative

Statement of Activities

For the year ended March 31, 2015

(expressed in US dollars)

	2015 $	2014 $
Revenues		
Contracts (note 6)	50,628,573	53,034,894
Other income (note 7)	478,175	189,830
	51,106,748	53,224,724
Expenses		
Program activities		
Program interventions (note 8)	37,745,526	40,549,080
Vitamin and mineral supplement procurement	9,512,948	9,190,683
	47,258,474	49,739,763
Management and administration		
Salaries and benefits	2,151,595	2,159,686
Professional and advisory services	383,275	251,330
Information technology services	111,068	117,109
Office rent and utilities	247,939	245,020
Operational travel	115,761	159,862
Communications	49,853	51,300
General	226,774	252,698
Amortization	57,622	74,383
	3,343,887	3,311,388
Total expenses	50,602,361	53,051,151
Net revenue for the year	504,387	173,573

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

The Micronutrient Initiative

Statement of Cash Flows

For the year ended March 31, 2015

(expressed in US dollars)

	2015 $	2014 $
Cash flows provided by (used in)		
Operating activities		
Net revenue for the year	504,387	173,573
Items not affecting cash –		
Amortization	154,078	180,716
Amortization of lease inducement	(31,972)	(34,565)
Loss on disposal of capital assets	29,716	11,079
Net change in non-cash working capital items –		
Amounts receivable	(164,952)	(69,223)
Prepaid expenses	(55,037)	(62,032)
Accounts payable and accrued liabilities	(89,847)	528,532
Deferred project contracts	33,063,774	514,533
	33,410,147	1,242,613
Investing activities		
Purchase of capital assets	(131,447)	(57,205)
Proceeds from sale of capital assets	15,167	–
	(116,280)	(57,205)
Effect of foreign exchange on cash	(7,701,139)	(2,937,178)
Net change in cash for the year	25,592,728	(1,751,770)
Cash – Beginning of year	34,073,010	35,824,780
Cash – End of year	59,665,738	34,073,010

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 was continued under the *Canada Not-for-profit Corporations Act* on September 30, 2014. The Organization is a non-profit organization, 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 (2014 – 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.

(expressed in US dollars)

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.

Revenue recognition

The Organization follows the deferral method of accounting for contributions.

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.

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.

Capital assets

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

Computer equipment	Declining balance	30%
Office equipment	Declining balance	20%
Software	Declining balance	100%
Leasehold improvements	Straight line	Over the term of the lease

Capital assets acquired in the year (with the exception of leasehold improvements) are amortized at one-half the annual rate.

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

			2015
	Cost $	Accumulated amortization $	Net $
Computer equipment	339,702	281,215	58,487
Office equipment	487,961	353,499	134,462
Software	164,149	164,149	–
Leasehold improvements	553,858	385,345	168,513
	1,545,670	1,184,208	361,462

			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

4 Financial instruments

Cash denominated in foreign currencies amounts to $2,373,792 (2014 – $5,131,081), of which $1,680,198 (2014 – $4,495,392) is denominated in US dollars.

Amounts receivable denominated in foreign currencies amount to $999,950 (2014 – $1,117,097). Accounts payable and accrued liabilities denominated in foreign currencies amount to $1,364,098 (2014 – $1,320,591).

5 Government remittances

Government remittances (payroll withholding taxes) of $48,283 (2014 – $57,873) are included in accounts payable and accrued liabilities.

(expressed in US dollars)

6 Deferred project contracts and contract revenue

	DFATD* $	Other $	2015 $	2014 $
Balance – Beginning of year	22,976,614	3,090,622	26,067,236	27,814,008
Current year contributions	79,037,499	4,654,848	83,692,347	53,549,428
Revenue recognized	(45,673,053)	(4,955,520)	(50,628,573)	(53,034,894)
Translation adjustment	(6,295,154)	(363,224)	(6,658,378)	(2,261,306)
Balance – End of year	50,045,906	2,426,726	52,472,632	26,067,236

* Department of Foreign Affairs, Trade and Development Canada

Contract revenue includes $85,923 (2014 – $nil) of contributions-in-kind.

7 Other income

Included in other income is $509,951 (2014 – $649,345) of interest income earned on cash and short-term investments.

8 Program interventions

	2015 $	2014 $
Vitamin A interventions	7,084,961	9,238,284
Iron interventions	3,782,214	5,313,901
Iodine interventions	4,476,028	5,492,355
Zinc interventions	8,061,893	11,075,416
Acute malnutrition interventions	5,857,639	2,504,223
Community based MNCH interventions	4,063,576	4,425,906
Other interventions	4,419,215	2,498,995
	37,745,526	40,549,080

9 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 has approved its wind up as of March 31, 2015.

(expressed in US dollars)

10 Related party transactions

The Organization has provided funding in the amount of $1,310,786 (2014 – $1,991,617) to the Trust to fund program activities. The Organization also provides certain support services to the Trust at no cost.

11 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.

	$
Year ending March 31, 2016	905,000
2017	684,000
2018	173,000

The Organization has ongoing contracts with DFATD and other organizations against which it committed $14,300,549 (2014 – $17,629,073) to executing agencies for the completion of current projects.