

Consolidated Financial Statements of

# **NUTRITION INTERNATIONAL**

And Independent Auditors' Report thereon

Year ended March 31, 2021  
(In U.S. dollars)



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## 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, 2021
- 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, 2021, 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, 2021. We have issued an unmodified audit opinion on those consolidated financial statements dated June 29, 2021.



### ***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*

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Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Canada

June 29, 2021

# NUTRITION INTERNATIONAL

## Consolidated Statement of Financial Position

March 31, 2021, with comparative information for 2020  
(In U.S. dollars)

	2021	2020
<b>Assets</b>		
Current assets:		
Cash	\$ 16,244,255	\$ 22,506,509
Short-term Investments (note 2)	20,666,465	–
Accounts receivable	26,892,857	2,359,008
Prepaid expenses	1,052,278	768,208
	<u>64,855,855</u>	<u>25,633,725</u>
Investments (note 2)	2,362,429	–
Tangible capital and intangible assets (note 3)	633,124	936,072
	<u>\$ 67,851,408</u>	<u>\$ 26,569,797</u>

## Liabilities and Net Assets


Current liabilities:		
Accounts payable and accrued liabilities (note 4)	\$ 9,384,341	\$ 5,647,326
Deferred contributions (note 5)	45,111,602	13,271,102
	<u>54,495,943</u>	<u>18,918,428</u>
Net assets:		
Unrestricted	13,107,143	8,613,988
Cumulative translation adjustment	248,322	(962,619)
	<u>13,355,465</u>	<u>7,651,369</u>
Commitments (note 10)		
	<u>\$ 67,851,408</u>	<u>\$ 26,569,797</u>

See accompanying notes to consolidated financial statements.

On behalf of the Board of Directors:



Director



Director

# NUTRITION INTERNATIONAL

## Consolidated Statement of Operations

Year ended March 31, 2021, with comparative information for 2020

(In U.S. dollars)

	2021	2020
Revenue:		
Grants and contributions (note 5)	\$ 52,886,776	\$ 56,793,755
Change in fair value of investments	(35,442)	–
Other income (losses) (note 6)	(310,242)	581,491
	<u>52,541,092</u>	<u>57,375,246</u>
Expenses:		
Program interventions (note 7)	43,636,189	52,286,331
Management and administration:		
Salaries and benefits	2,940,850	2,910,036
Professional and advisory services	855,185	747,889
Information technology services	57,202	58,405
Office rent and utilities	266,402	293,651
Operational travel	3,412	134,796
Communications	20,380	20,379
General	176,544	282,327
Amortization of tangible capital and intangible assets	91,773	63,061
	<u>4,411,748</u>	<u>4,510,544</u>
	<u>48,047,937</u>	<u>56,796,875</u>
Excess of revenue over expenses	\$ 4,493,155	\$ 578,371

See accompanying notes to consolidated financial statements.

# NUTRITION INTERNATIONAL

## Consolidated Statement of Changes in Net Assets

Year ended March 31, 2021, with comparative information for 2020  
(In U.S. dollars)

	Unrestricted	Cumulative translation adjustment	2021 Total	2020 Total
Net assets (deficiency), beginning of year	\$ 8,613,988	\$ (962,619)	\$ 7,651,369	\$ 7,554,531
Excess of revenue over expenses	4,493,155	–	4,493,155	578,371
Translation adjustment	–	1,210,941	1,210,941	(481,533)
<b>Net assets end of year</b>	<b>\$ 13,107,143</b>	<b>\$ 248,322</b>	<b>\$ 13,355,465</b>	<b>\$ 7,651,369</b>

See accompanying notes to consolidated financial statements.

# NUTRITION INTERNATIONAL

## Consolidated Statement of Cash Flows

Year ended March 31, 2021, with comparative information for 2020  
(In U.S. dollars)

	2021	2020
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 4,493,155	\$ 578,371
Items not involving cash:		
Amortization of tangible capital and intangible assets	473,352	283,630
Loss on disposal of tangible capital and intangible assets	288	14,504
Change in non-cash operating working capital:		
Accounts receivable	(23,050,944)	1,939,401
Prepaid expenses	(176,551)	62,747
Accounts payable and accrued liabilities	2,866,288	497,934
Deferred contributions	28,670,948	(7,586,941)
	13,276,536	(4,210,354)
Investing activities:		
Purchase of tangible capital and intangible assets	(71,301)	(219,595)
Purchase of short-term investments	(19,659,641)	—
Purchase of long-term investments	(2,247,336)	—
	(21,978,278)	(219,595)
Effect of foreign exchange on cash	2,439,488	(1,397,144)
Decrease in cash	(6,262,254)	(5,827,093)
Cash, beginning of year	22,506,509	28,333,602
Cash, end of year	\$ 16,244,255	\$ 22,506,509

See accompanying notes to consolidated financial statements.



# NUTRITION INTERNATIONAL

Notes to Consolidated Financial Statements

Year ended March 31, 2021  
(In U.S. dollars)

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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 (2020 - 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 14 (2020 - 8) countries and Vitamin A supplements to an additional 47 (2020 - 50) countries.

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.

# NUTRITION INTERNATIONAL

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2021  
(In U.S. dollars)

## 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:

At the beginning of the year, the organization updated its' amortization policy from the declining balance basis to the straight-line basis to better reflect the use of the assets by the organization during their respective useful lives. 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.

# NUTRITION INTERNATIONAL

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2021  
(In U.S. dollars)

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## 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 investments at fair value.

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.

# NUTRITION INTERNATIONAL

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2021  
(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:

Investments by type:

	2021 Fair value	2021 Cost
Short-term investments		
Cash and cash equivalents	\$ 19,072,830	\$ 19,072,830
Fixed income	1,593,635	1,603,114
	20,666,465	20,675,944
Long-term investments		
Cash and cash equivalents	52,761	52,761
Fixed income	1,588,008	1,617,119
Equities	721,660	715,806
	2,362,429	2,385,686
	\$ 23,028,894	\$ 23,061,630

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 its required objectives. Long-term investments include unrestricted net-assets not required in the short-term for operations or working capital.

# NUTRITION INTERNATIONAL

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2021  
(In U.S. dollars)

### 3. Tangible capital and intangible assets:

			2021	2020
	Cost	Accumulated amortization	Net book value	Net book value
Tangible capital assets:				
Computer equipment	\$ 348,058	\$ 336,036	\$ 12,022	\$ 51,298
Office equipment	865,588	767,205	98,383	266,180
Project vehicles	120,695	120,695	–	12,465
Leasehold improvements	1,721,736	1,199,017	522,719	606,129
Intangible assets:				
Computer software	306,744	306,744	–	–
	\$ 3,362,821	\$ 2,729,697	\$ 633,124	\$ 936,072

Cost and accumulated amortization at March 31, 2020 amounted to \$2,920,021 and \$1,983,949, respectively. During the year the Organization disposed of capital assets with a cost of \$6,158 (2020 - \$101,887) and accumulated amortization of \$5,870 (2020 - \$87,383) for a loss on disposal of \$288 (2020 - \$14,504).

### 4. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$56,158 (2020 - \$49,438), which includes amounts payable for payroll withholding taxes.

### 5. Deferred contributions:

	Global Affairs			2021	2020
	Canada	FCDO, UK	Other	Total	Total
Balance, beginning of year	\$ 7,563,653	\$ 1,217,067	\$ 4,490,382	\$ 13,271,102	\$ 21,666,228
Current year contributions	73,543,999	4,426,540	7,763,978	85,734,517	46,158,052
Revenue recognized	(39,015,007)	(4,313,488)	(9,558,281)	(52,886,776)	(56,793,755)
Effect on foreign exchange	(1,028,473)	(64,888)	86,120	(1,007,241)	2,240,577
Balance, end of year	\$ 41,064,172	\$ 1,265,231	\$ 2,782,199	\$ 45,111,602	\$ 13,271,102

Contribution revenue includes \$6,015 (2020 - \$19,323) of contributions-in-kind.

# NUTRITION INTERNATIONAL

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2021  
(In U.S. dollars)

## 6. Other income:

Included in other income is \$73,129 (2020 - \$493,057) of interest income earned on cash, the remaining balance is derived from foreign exchange losses on bank balances, transfers, contract advances and receivables.

## 7. Program interventions:

	2021	2020
Vitamin A	\$ 14,234,908	\$ 13,185,458
Adolescents' and Women's Nutrition	3,758,878	4,434,037
Universal Salt Iodization	2,405,953	5,140,708
Zinc and ORS	1,849,261	540,302
Infant and Young Child Nutrition	444,721	2,605,281
Research and Quality Assurance	1,550,968	1,631,002
Maternal and Newborn Health and Nutrition	4,536,013	6,640,692
Global Advocacy	1,107,572	1,036,300
Food Fortification	3,754,973	2,334,028
Integrated Nutrition Programs	5,287,754	9,760,878
Technical Assistance Mechanism	4,705,188	4,977,645
	<u>\$ 43,636,189</u>	<u>\$ 52,286,331</u>

Vitamin A intervention includes \$11,470,308 (2020 - \$9,926,233) of Vitamin A supplement procurement expenses.

## 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.

# NUTRITION INTERNATIONAL

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2021  
(In U.S. dollars)

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## 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:

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2022	\$ 1,570,478
2023	1,273,461
2024	1,025,757
2025	688,763
2026	337,529
	<hr/>
	\$ 4,895,988

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The Organization has ongoing contracts with Global Affairs Canada and other organizations against which it committed \$15,237,532 (2020 - \$12,165,989) 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.

(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.

# NUTRITION INTERNATIONAL

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2021  
(In U.S. dollars)

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## 10. Financial risks (continued):

### (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 \$3,151,728 (2020 - \$1,939,155), of which \$1,900,792 (2020 - \$28,252) is denominated in U.S. dollars.

Amounts receivable denominated in foreign currencies amount to \$1,818,270 (2020 - \$1,753,981). Accounts payable and accrued liabilities denominated in foreign currencies amount to \$3,105,961 (2020 - \$3,463,089).

#### (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 all of the Organization's investments are carried at fair value with fair value changes recognized in the statement of operations.



# NUTRITION INTERNATIONAL

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2021  
(In U.S. dollars)

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## **11. Impact of COVID-19:**

In March 2020 the COVID-19 outbreak was declared a pandemic by the World Health Organization, which has had a significant global economic and social impact. The pandemic has caused government authorities worldwide to enact emergency measures to combat the spread of the virus.

The extent to which the COVID-19 pandemic may impact the Organization's activities will depend on future developments, including the duration of the outbreak, the effectiveness and availability of vaccines, travel restrictions, and the effectiveness of actions taken in Canada and other countries to control the virus. These events are highly uncertain and as such, the ultimate financial impact of the pandemic on the Organization in future periods is unknown at this time. The Organization continues to monitor, assess and adapt its programs and operations to the impact of the COVID-19 pandemic.