

Consolidated Financial Statements of

NUTRITION INTERNATIONAL

And Independent Auditors' Report thereon

Year ended March 31, 2020
(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, 2020
- 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 financial position of the Organization as at March 31, 2020, and its 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.

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, 2020. We have issued an unmodified audit opinion on those financial statements dated June 29, 2020.



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 24, 2020

NUTRITION INTERNATIONAL

Consolidated Statement of Financial Position

March 31, 2020, with comparative information for 2019
(In U.S. dollars)

	2020	2019
Assets		
Current assets:		
Cash	\$ 22,506,509	\$ 28,333,602
Accounts receivable	2,359,008	4,440,210
Prepaid expenses	768,208	878,921
	<u>25,633,725</u>	<u>33,652,733</u>
Tangible capital and intangible assets (note 2)	936,072	1,073,053
	<u>\$ 26,569,797</u>	<u>\$ 34,725,786</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 3)	\$ 5,647,326	\$ 5,505,027
Deferred contributions (note 4)	13,271,102	21,666,228
	<u>18,918,428</u>	<u>27,171,255</u>
Net assets:		
Unrestricted	8,613,988	8,035,617
Cumulative translation adjustment	(962,619)	(481,086)
	<u>7,651,369</u>	<u>7,554,531</u>
Commitments (note 9)		
	<u>\$ 26,569,797</u>	<u>\$ 34,725,786</u>

See accompanying notes to consolidated financial statements.

On behalf of the Board of Directors:



Director

Masood Ahmed



Director

David de Ferranti

NUTRITION INTERNATIONAL

Consolidated Statement of Operations

Year ended March 31, 2020, with comparative information for 2019
(In U.S. dollars)

	2020	2019
Revenue:		
Grants and contributions (note 4)	\$ 56,793,755	\$ 59,426,174
Other income (note 5)	581,491	197,612
	<u>57,375,246</u>	<u>59,623,786</u>
Expenses:		
Program interventions (note 6)	52,286,331	54,771,195
Management and administration:		
Salaries and benefits	2,910,036	3,040,104
Professional and advisory services	747,889	700,860
Information technology services	58,405	61,392
Office rent and utilities	293,651	337,623
Operational travel	134,796	165,476
Communications	20,379	27,792
General	282,327	224,732
Amortization of tangible capital and intangible assets	63,061	97,858
	<u>4,510,544</u>	<u>4,655,837</u>
	<u>56,796,875</u>	<u>59,427,032</u>
Excess of revenue over expenses	\$ 578,371	\$ 196,754

See accompanying notes to consolidated financial statements.

NUTRITION INTERNATIONAL

Consolidated Statement of Changes in Net Assets

Year ended March 31, 2020, with comparative information for 2019
(In U.S. dollars)

	Unrestricted	Cumulative translation adjustment	2020 Total	2019 Total
Net assets (deficiency), beginning of year	\$ 8,035,617	\$ (481,086)	\$ 7,554,531	\$ 7,613,260
Excess of revenue over expenses	578,371	—	578,371	196,754
Translation adjustment	—	(481,533)	(481,533)	(255,483)
Net assets (deficiency), end of year	\$ 8,613,988	\$ (962,619)	\$ 7,651,369	\$ 7,554,531

See accompanying notes to consolidated financial statements.

NUTRITION INTERNATIONAL

Consolidated Statement of Cash Flows

Year ended March 31, 2020, with comparative information for 2019
(In U.S. dollars)

	2020	2019
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 578,371	\$ 196,754
Items not involving cash:		
Amortization of tangible capital and intangible assets	283,630	366,761
Loss on disposal of tangible capital and intangible assets	14,504	9,474
Change in non-cash operating working capital:		
Accounts receivable	1,939,401	(1,689,468)
Prepaid expenses	62,747	18,983
Accounts payable and accrued liabilities	497,934	2,203,923
Deferred contributions	(7,586,941)	(3,604,678)
	(4,210,354)	(2,498,251)
Investing activities:		
Additions to tangible capital and intangible assets	(219,595)	(274,399)
Effect of foreign exchange on cash	(1,397,144)	(1,015,317)
Decrease in cash	(5,827,093)	(3,787,967)
Cash, beginning of year	28,333,602	32,121,569
Cash, end of year	\$ 22,506,509	\$ 28,333,602

See accompanying notes to consolidated financial statements.

NUTRITION INTERNATIONAL

Notes to Consolidated Financial Statements

Year ended March 31, 2020
(In U.S. dollars)

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 (2019 - 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 8 (2019 - 8) countries and Vitamin A supplements to an additional 50 (2019 - 51) 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, 2020
(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:

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.

NUTRITION INTERNATIONAL

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2020
(In U.S. dollars)

1. Significant accounting policies (continued):

(c) Foreign currency translation (continued):

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) 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:

			2020	2019
	Cost	Accumulated amortization	Net book value	Net book value
Tangible capital assets:				
Computer equipment	\$ 265,796	\$ 214,498	\$ 51,298	\$ 83,042
Office equipment	769,444	503,264	266,180	262,137
Project vehicles	106,981	94,516	12,465	35,988
Leasehold improvements	1,505,917	899,788	606,129	680,382
Intangible assets:				
Computer software	271,883	271,883	—	11,504
	\$ 2,920,021	\$ 1,983,949	\$ 936,072	\$ 1,073,053

Cost and accumulated amortization at March 31, 2019 amounted to \$2,985,745 and \$1,912,692, respectively. During the year the Organization disposed of capital assets with a cost of \$101,887 (2019 - \$Nil) and accumulated amortization of \$87,383 (2019 - \$Nil) for a loss on disposal of assets of \$14,504 (2019 - \$Nil).

NUTRITION INTERNATIONAL

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2020
(In U.S. dollars)

3. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$49,438 (2019 - \$62,450), which includes amounts payable for payroll withholding taxes.

4. Deferred contributions:

	Global Affairs Canada	DFID	Other	2020 Total	2019 Total
Balance, beginning of year	\$ 15,430,408	\$ 1,104,482	\$ 5,131,338	\$ 21,666,228	\$ 26,071,452
Current year contributions	35,391,252	4,390,680	6,376,120	46,158,052	55,821,497
Revenue recognized	(45,144,732)	(4,491,199)	(7,157,824)	(56,793,755)	(59,426,174)
Effect on foreign exchange	1,886,724	213,104	140,748	2,240,577	(800,547)
Balance, end of year	\$ 7,563,653	\$ 1,217,067	\$ 4,490,382	\$ 13,271,102	\$ 21,666,228

Contribution revenue includes \$19,323 (2019 - \$19,062) of contributions-in-kind.

5. Other income:

Included in other income is \$493,057 (2019 - \$750,881) of interest income earned on cash.

6. Program interventions:

	2020	2019
Vitamin A	\$ 13,185,458	\$ 15,029,627
Adolescents' and Women's Nutrition	4,434,037	5,841,230
Universal Salt Iodization	5,140,708	4,833,560
Zinc and ORS	540,302	2,028,061
Infant and Young Child Nutrition	2,605,281	2,401,835
Research and Quality Assurance	1,631,002	1,163,174
Maternal and Newborn Health and Nutrition	6,640,692	6,414,735
Global Advocacy	1,036,300	1,716,150
Food Fortification	2,334,028	2,136,206
Integrated Nutrition Programs	9,760,878	8,731,630
Technical Assistance Mechanism	4,977,645	4,474,987
	\$ 52,286,331	\$ 54,771,195

NUTRITION INTERNATIONAL

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2020
(In U.S. dollars)

6. Program interventions (continued):

Vitamin A intervention includes \$9,926,233 (2019 - \$10,157,299) of Vitamin A supplement procurement expenses.

7. 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.

8. Financial instruments:

Cash denominated in foreign currencies amounts to \$1,939,155 (2019 - \$1,620,419), of which \$28,252 (2019 - \$235,373) is denominated in U.S. dollars.

Amounts receivable denominated in foreign currencies amount to \$1,753,981 (2019 - \$1,639,142). Accounts payable and accrued liabilities denominated in foreign currencies amount to \$3,463,089 (2019 - \$3,961,362).

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:

2021	\$	1,438,126
2022		1,275,180
2023		1,027,721
2024		781,340
2025		520,185
	\$	5,042,552

The Organization has ongoing contracts with Global Affairs Canada and other organizations against which it committed \$12,165,989 (2019 - \$22,139,971) to executing agencies for the completion of current projects.

NUTRITION INTERNATIONAL

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2020
(In U.S. dollars)

10. Financial Risks:

The Organization's financial instruments consist of cash, 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) Interest rate risk, credit risk and market risk:

The Organization believes it is not exposed to significant interest rate, credit or market risk arising from its financial instruments.

(c) 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.

11. Impact of COVID-19:

In March of 2020 the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and social dislocating impact.

At the time of approval of these financial statements, the Organization has experienced the following indicators of financial implications and undertaken the following activities in relation to the pandemic:

- The office premises were closed globally, and staff are working remotely;
- The organization has been working to adapt its program interventions in consultation with relevant stakeholders

Financial statements are required to be adjusted for events occurring between the date of the financial statements and the date of the auditors' report which provide additional evidence relating to conditions that existed at year-end. Management has assessed the financial impacts and there are no additional adjustments required to the consolidated financial statements at this time.

The ultimate duration and magnitude of the COVID-19 pandemic's impact on the Organization's operations and financial position is not known at this time.

NUTRITION INTERNATIONAL

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2020
(In U.S. dollars)

12. Comparative information:

Certain 2019 comparative information has been reclassified to conform with the financial statement presentation adopted for the current year.



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REPORT ON SUPPLEMENTARY MATTERS ARISING FROM AN AUDIT

To the Members of Nutrition International

Other Reporting Responsibility

We have been engaged to report on the supplementary information included in the accompanying schedule as at and for the year ended March 31, 2020 ("Other Reporting Responsibility").

The supplementary information included in the accompanying Schedule of Deferred Contributions - Alternate Presentation for the Department for International Development (DFID) as at and for the year ended March 31, 2020 ("Supplementary Information") was prepared by management.

This other reporting responsibility relates to our audit of the financial statements of Nutrition International as at and for the year ended March 31, 2020.

We expressed an unmodified audit opinion on these consolidated financial statements on July 24, 2020.

This report has been prepared in accordance with Canadian Standard on Related Services (CSRS) 4460, Reports on Supplementary Matters arising from an Audit or a Review Engagement. Our responsibility is to report on the supplementary matter. This standard requires us to comply with ethical requirements and to plan and perform procedures to address the other reporting responsibility.

The procedures were selected based on our professional judgement to enable us to form a basis for this report. The procedures vary in nature from, and are less in extent than, those required when providing an audit opinion or review conclusion. Users are cautioned that the procedures performed may not be suitable for their purposes.

We do not express an audit opinion or review conclusion on the supplementary matter.

In response to the other reporting responsibility, we report that the supplementary information is derived from the underlying accounting and other records used to prepare the consolidated financial statements referred above.



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This report is intended solely for use by the Members of Nutrition International, DFID and should not be used by other parties and should not be used by other parties.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Canada

July 24, 2020

NUTRITION INTERNATIONAL

Schedule of Deferred Contributions - Alternate Presentation for DFID

Year ended March 31, 2020, with comparative information for 2019
(In U.S. dollars)

	Global Affairs Canada	DFID	Other	Total
Balance, March 31, 2018	\$ 14,735,668	\$ 807,883	\$ 10,527,901	\$ 26,071,452
Grant received	49,299,741	4,972,053	1,549,703	55,821,497
Total expenditure	(48,193,916)	(4,642,987)	(6,589,271)	(59,426,174)
Translation adjustment	(411,085)	(32,467)	(356,995)	(800,547)
Balance, March 31, 2019	15,430,408	1,104,482	5,131,338	21,666,228
Grant received	35,391,252	4,390,680	6,376,120	46,158,052
Total expenditure	(45,144,732)	(4,491,199)	(7,157,824)	(56,793,755)
Translation adjustment	1,886,724	213,104	140,748	2,240,577
Balance, March 31, 2020	\$ 7,563,653	\$ 1,217,067	\$ 4,490,382	\$ 13,271,102

(In Pounds)

	DFID
Balance - March 31, 2018	£ 560,052
Grant received	3,785,674
Total expenditure	(3,535,127)
Balance, March 31, 2019	810,599
Grant received	3,614,401
Total expenditure	(3,468,079)
Balance, March 31, 2020	£ 956,921