Micronutrient Initiative

Financial Statements
March 31, 2009
(expressed in U.S. dollars)

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Auditors' Report

To the Members of
The Micronutrient Initiative

We have audited the statement of net assets of **The Micronutrient Initiative** as at March 31, 2009 and the statements of changes in net assets, activities and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 2009 and the results of its activities and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the Canada Corporations Act, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants

The Micronutrient Initiative

Statement of Net Assets

As at March 31, 2009

(expressed in U.S. dollars)

	2009 $	2008 $
Assets		
Current assets		
Cash	8,888,124	906,144
Short-term investment (note 3)	1,348,761	14,577,115
Amounts receivable	240,437	335,566
Prepaid expenses	366,673	436,775
	10,843,995	16,255,600
Capital assets (note 4)	691,533	680,299
Future income tax asset	–	11,118
	11,535,528	16,947,017
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	678,708	980,045
Deferred project contracts (note 6)	4,403,718	8,836,999
	5,082,426	9,817,044
Lease inducement	192,721	241,387
	5,275,147	10,058,431
Net assets	6,260,381	6,888,586
Net assets are comprised of:		
Unrestricted	5,483,113	4,862,165
Invested in capital assets	614,513	518,273
Cumulative translation adjustment	162,755	1,508,148
	6,260,381	6,888,586

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, 2009

(expressed in U.S. dollars)

	Unrestricted $	Invested in capital assets $	Cumulative translation adjustment $	2009 Total $	2008 Total $
Balance – Beginning of year	4,862,165	518,273	1,508,148	6,888,586	5,343,462
Net revenue for the year	908,728	(191,540)	–	717,188	891,621
Investment in capital assets	(287,780)	287,780	–	–	–
Translation adjustment	–	–	(1,345,393)	(1,345,393)	653,503
Balance – End of year	5,483,113	614,513	162,755	6,260,381	6,888,586

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

The Micronutrient Initiative

Statement of Activities

For the year ended March 31, 2009

(expressed in U.S. dollars)

	2009 $	2008 $
Revenues		
Contracts (note 8)	29,380,300	29,298,583
Other income (note 9)	748,571	890,902
	30,128,871	30,189,485
Expenses		
Program activities		
Program interventions (note 10)	18,057,956	17,389,412
Vitamin and mineral supplement procurement	9,070,386	9,447,609
	27,128,342	26,837,021
Management and administration		
Salaries and benefits	1,122,662	1,122,879
Professional and advisory services	217,036	317,185
Information technology services	103,173	148,596
Office rent and utilities	239,185	216,774
Operational travel	141,946	104,357
Communications	73,561	63,531
Relocation	31,542	73,317
General	221,383	255,664
Amortization	132,853	158,540
	2,283,341	2,460,843
Total expenses	29,411,683	29,297,864
Net revenue for the year	717,188	891,621

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

The Micronutrient Initiative

Statement of Cash Flows

For the year ended March 31, 2009

(expressed in U.S. dollars)

	2009 $	2008 $
Cash flows from (used in)		
Operating activities		
Net revenue for the year	717,188	891,621
Items not affecting cash –		
Amortization	176,306	171,137
Amortization of lease inducement	(27,255)	(28,006)
Loss on disposal of capital assets	15,234	6,554
Future income taxes	11,118	219
Net change in non-cash working capital items –		
Amounts receivable	95,129	2,245,545
Prepaid expenses	70,102	62,088
Accounts payable and accrued liabilities	(301,337)	401,788
Deferred project contracts	(4,433,281)	916,215
	(3,676,796)	4,667,161
Investing activities		
Purchase of capital assets	(289,599)	(115,273)
Proceeds from sale of equipment	1,819	1,317
Purchase of short-term investments	(92,488,891)	(109,731,839)
Sale of short-term investments	103,030,159	105,502,532
	10,253,488	(4,343,263)
Effect of foreign exchange on cash	1,405,288	(514,296)
Net change in cash for the year	7,981,980	(190,398)
Cash – Beginning of year	906,144	1,096,542
Cash – End of year	8,888,124	906,144
Non-cash activity		
Tenant leasehold improvement allowance	20,213	–
Non-cash purchase of capital assets	(20,313)	–

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

(expressed in U.S. 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 is a not-for-profit entity, 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 generally accepted accounting principles in Canada and include the assets, liabilities and results of operations of the Organization's Canadian operations and its 12 (2008 – 11) foreign country offices (Afghanistan, Bangladesh, Bolivia, Ethiopia, India, Indonesia, Kenya, Nepal, Nigeria, Pakistan, Senegal and South Africa). The South African office was closed during the year.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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 the net revenue for the year. Non-monetary assets and liabilities and any related amortization of such items are translated at the historical exchange rates.

(expressed in U.S. dollars)

The accounts are then translated into U.S. dollars (the reporting currency) using the current rate method.

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 equity as a cumulative translation adjustment.

Revenue recognition

The Organization follows the deferral method of accounting for contributions.

Contract revenue is recognized using the percentage of completion method, based on the proportion of total contract expense incurred at year end. Revenue relating to specific projects extending beyond the end of the year is deferred to the extent that matching expenditures have not been incurred. A loss is immediately recognized on projects when total expenses are expected to exceed total contributions.

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 activity expenses at fair value.

Short-term investments

The Organization's investment policy is to invest in short-term investments with maturities of 12 months or less. These investments are held to maturity and are recorded at the lower of amortized cost and fair value.

Capital assets

Capital assets are initially recorded at cost and are then amortized over their estimated useful service lives, on a declining balance basis, at the following annual rates:

Computer equipment	30%
Office equipment	20%
Software	100%

Capital assets acquired in the year are amortized at one-half the annual rate.

Leasehold improvements are amortized on a straight-line basis over the life of the lease.

Capital assets acquired for direct use in projects are expensed in the year of acquisition.

(expressed in U.S. dollars)

Lease inducements

Lease inducements are amortized on a straight-line basis over the life of the lease.

Income taxes

Income taxes are provided for using the liability method for the South African branch office whereby future income tax assets and liabilities are recognized using current tax rates on the difference between the financial statement carrying amounts and the respective tax basis of assets and liabilities. Under this method, the change in the net future income tax assets or liability is included in income.

3 Short-term investment

Short-term investment is comprised of a Canadian dollar investment earning income at a rate of 0.78% (2008 – 3.35% to 4.03%) and maturing April 8, 2009.

4 Capital assets

			2009	2008
	Cost $	Accumulated amortization $	Net $	Net $
Computer equipment	399,597	206,275	193,322	162,995
Office equipment	387,155	170,482	216,673	189,883
Software	200,471	195,732	4,739	4,332
Leasehold improvements	395,150	118,351	276,799	323,089
	1,382,373	690,840	691,533	680,299

5 Financial instruments

The Organization has chosen to follow the disclosure requirements found in Section 3861, *Financial Instruments – Presentation and Disclosure* of the Handbook of the Canadian Institute of Chartered Accountants.

The Organization's financial instruments consist of cash, short-term investments, amounts receivable and accounts payable. Management believes the carrying values of these instruments approximate their fair values due to their short terms to maturity.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Cash denominated in foreign currencies amounts to $821,711 (2008 – $475,944). The Organization does not use derivative instruments to manage this risk.

(expressed in U.S. dollars)

6 Deferred project contracts

Contract revenue relating to specific projects extending beyond the end of the year is deferred to the extent that matching expenditures have not been incurred. At year end, $3,566,162 (2008 – $7,933,960) of deferred revenue related to CIDA contracts and $837,556 (2008 – $903,039) related to funding contracts from other funding agencies.

7 Capital management

The Organization defines its capital as its net assets.

The Organization's objectives, when managing capital, are to safeguard the Organization's ability to continue operations as a going concern.

The Organization's Board of Directors is responsible for overseeing the effective management of capital. The Board of Directors reviews and approves the Organization's program of work and financial budget annually.

8 Contract revenue

During the year, $27,828,936 (2008 – $27,320,359) of the contract revenue related to CIDA contracts and $1,551,364 (2008 – $1,978,224) related to funding contracts from other funding agencies.

9 Other income

Included in other income is $619,213 (2008 – $1,174,921) of interest income earned on cash and short-term investments.

10 Program interventions

Program interventions expenses are comprised of the following:

	2009 $	2008 $
Vitamin A interventions	9,472,192	7,866,899
Iron interventions	1,850,269	2,288,144
Iodine interventions	5,749,742	6,355,104
Other vitamin and mineral interventions	985,753	879,265
	18,057,956	17,389,412

(expressed in U.S. dollars)

11 Significant influence

The Organization exercises significant influence over The Micronutrient Initiative India Trust through Board of Trustees representation. The Micronutrient Initiative India 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 Micronutrient Initiative India Trust for non-exclusive use in India.

12 Related party transactions

The Organization has provided funding in the amount of $1,705,967 (2008 – $24,678) to The Micronutrient Initiative India Trust to fund program activities. The Organization also provides certain support services to the Micronutrient Initiative India Trust at no cost.

13 Commitments

The Organization is committed under operating leases for the rental of office space and equipment. Minimum annual payments under the terms of these leases are as follows:

	$
Year ending March 31, 2010	433,000
2011	331,000
2012	307,000
2013	313,000
2014	313,000
Thereafter	809,000

The Organization has ongoing contracts with CIDA and other organizations against which it committed $3,024,384 (2008 – $4,646,177) to executing agencies for the completion of current projects.

14 Pension plan

The Organization has a defined contribution pension plan providing pension benefits to all of its full-time employees in Canada. The total contributions expensed for the Organization's defined contribution pension plan for the year is $124,271 (2008 – $136,702).