

**MEDS & FOOD FOR KIDS**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
DECEMBER 31, 2012**

MEDS & FOOD FOR KIDS

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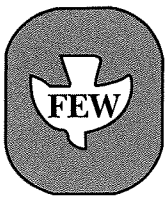
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# **Fick, Eggemeyer & Williamson**

**Certified Public Accountants, PC**



MEMBERS OF THE  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Meds & Food for Kids

We have audited the accompanying financial statements of Meds & Food for Kids (a non-profit corporation), which comprise the statement of financial position as of December 31, 2012, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation 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 auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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 referred to above present fairly, in all material respects, the financial position of Meds & Food for Kids as of December 31, 2012, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other-Matter***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Fick, Eggemeyer & Williamson*

Fick, Eggemeyer & Williamson, CPA's

St. Louis, Missouri

August 6, 2013

MEDS & FOOD FOR KIDS  
STATEMENT OF FINANCIAL POSITION

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December 31, 2012

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ASSETS

Cash and cash equivalents	\$	834,697
Investments		35,377
Accounts receivable		229,859
Grants receivable		410,715
Container fees receivable		569,901
Inventory		301,776
Prepaid expenses		28,165
Total current assets		2,410,490
NON-CURRENT ASSETS		
Property and equipment		
(Net of accumulated depreciation) - note 3		3,152,661
Total non-current assets		3,152,661
Total assets	\$	5,563,151

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$	103,431
Grants payable		114,577
Interest payable		41,352
Unearned revenue		426,940
Total current liabilities		686,300
NON-CURRENT LIABILITIES		
Notes payable - note 5		732,034
Total non-current liabilities		732,034
Total liabilities		1,418,334
Net assets		
Unrestricted		4,144,817
Temporarily restricted		-
Permanently restricted		-
Total net assets		4,144,817
Total liabilities and net assets	\$	5,563,151

See accompanying notes and independent auditor's report

MEDS & FOOD FOR KIDS  
STATEMENT OF ACTIVITIES

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For the year ended December 31,				2012
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenue (fundraising)				
Contributions (non Gala)	\$ 870,537	\$ -	\$ -	\$ 870,537
Grants	-	787,510	-	787,510
Mamba sales	1,496,556	-	-	1,496,556
Gala income	234,641	-	-	234,641
Interest income	3,256	-	-	3,256
Other income	20,904	-	-	20,904
Non-cash contributions	278,046	-	-	278,046
Total support and revenue (fundraising)	2,903,940	787,510	-	3,691,450
Net assets released from restrictions	787,510	(787,510)	-	-
Total	3,691,450	-	-	3,691,450
Program expenses				
Project expenses	1,876,625	-	-	1,876,625
USDA grant	415,165	-	-	415,165
Total program expenses	2,291,790	-	-	2,291,790
Support expenses				
General and administration	110,246	-	-	110,246
Fundraising	209,608	-	-	209,608
Total support expenses	319,854	-	-	319,854
Total expenses	2,611,644	-	-	2,611,644
Changes in net assets	1,079,806	-	-	1,079,806
Net assets, beginning of year	3,065,011	-	-	3,065,011
Net assets, end of year	\$ 4,144,817	\$ -	\$ -	\$ 4,144,817

See accompanying notes and independent auditor's report

MEDS & FOOD FOR KIDS  
STATEMENT OF CASH FLOWS

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For the year ended December 31,	2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Changes in net assets	\$ 1,079,806
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:	
Depreciation	176,319
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(159,071)
(Increase) decrease in grants receivable	(410,715)
(Increase) decrease in container anticipation fees recievable	(569,901)
(Increase) decrease in inventory	(193,809)
(Increase) decrease in prepaid expenses	17,791
Increase (decrease) in accounts payable	(77,766)
Increase (decrease) in grants payable	114,577
Increase (decrease) in retirement payable	(4,269)
Increase (decrease) in interest payable	41,352
Increase (decrease) in unearned revenue	368,495
Net cash provided by (used in) operating activities	382,809
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchase of property and equipment	(2,088,274)
Disposal of property and equipment	68,756
Donation of investments	(35,377)
Net cash provided by (used in) investing activities	(2,054,895)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Proceeds from new borrowing	482,034
Net cash provided by (used in) financing activities	482,034
Net increase (decrease) in cash and cash equivalents	(1,190,052)
Cash and cash equivalents - beginning of year	2,024,749
Cash and cash equivalents - end of year	\$ 834,697

See accompanying notes and independent auditor's report

MEDS & FOOD FOR KIDS  
NOTES TO FINANCIAL STATEMENTS

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December 31, 2012

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Nature of Organization

Meds & Food for Kids (“the Organization”) was incorporated on June 15, 2004 as a nonprofit corporation in the state of Missouri. The Organization is dedicated to saving the lives of children dying of malnutrition in Haiti and other developing countries by providing children with medical services, education, and a peanut butter product fortified with nutritional supplements (Mamba) that restores them to health within the family setting.

The majority of the Organization’s support is generated by both cash and non-cash donations from the general public and corporations.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis in accordance with auditing standards generally accepted in the United States of America. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Income Taxes

The Organization is exempt from income taxes pursuant to section 501(c)(3) of the Internal Revenue Service Code. Therefore, no provision is made for taxes on income.

The Organization adopted the provisions of Accounting for Uncertainty in Income Taxes on January 1, 2011. The adoption of that guidance resulted in no change to the financial statements for prior periods. As of December 31, 2012, no amounts have been recognized for uncertain tax positions. The Organization’s tax returns filed prior to 2010 are closed.

Fixed Assets and Depreciation

Fixed assets are recorded at cost or, in the case of donated property, at their estimated fair market value at the date of the donation. Depreciation of fixed assets is provided over the estimated useful lives of the respective assets on a straight-line basis. Fixed assets are depreciated over useful lives of three to thirty years.



MEDS & FOOD FOR KIDS  
NOTES TO FINANCIAL STATEMENTS

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December 31, 2012

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Expenditures for repairs and maintenance are charged to operating expense as incurred. The cost of assets sold or returned and the related amounts of accumulated depreciation are eliminated from the accounts in the year of disposal, and the resulting gains or losses are included in operations.

Cash and Cash Equivalents

Meds & Food for Kids, Inc. considers all highly liquid investments with an original maturity of three months or less to be cash equivalents for financial statement purposes.

Receivables

All receivables are recorded at cost, and the Organization considers all receivables to be fully collectable. As a result, the allowance for doubtful accounts as of December 31, 2012 is \$0.

Basis of Presentation

The Organization's financial statement presentation complies with the recommendations of the *Financial Statements of Not-for-Profit Organizations*. Under *Financial Statements of Not-for-Profit Organizations*, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Unrestricted Net Assets - represent resources over which the Board of Directors has unlimited discretionary control to carry out the activities of the Organization in accordance with the Articles of Incorporation and By-Laws.

Temporarily Restricted Net Assets - represent resources whose use is limited by donor-imposed restrictions that will be met either by actions of the Organization or by the passage of time. The Organization presently has no temporarily restricted net assets.

Permanently Restricted Net Assets - are subject to donor-imposed stipulations that the net assets be retained and invested permanently. The Organization presently has no permanently restricted net assets.

MEDS & FOOD FOR KIDS  
NOTES TO FINANCIAL STATEMENTS

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December 31, 2012

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Promises to Give

Contributions and grants are recognized when the donor makes a promise to give to the organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions or grants are recognized. All other donor-restricted contributions and grants are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Use of Estimates in Financial Statements

The preparation of financial statements in conformity with 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 date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Non-cash contributions

Non-cash contributions are recorded at fair value on the date of donation. Donated services are recorded at fair value if those services require specialized skill or would otherwise need to be purchased. Non-cash contributions made during the year total \$278,046. This total is comprised of donated equipment and supplies.

Donated Services

A number of individuals volunteered their time and performed a variety of tasks that assisted the Organization with program services. No amounts have been reflected in the financial statements for these donated services since the volunteers' time does not meet the criteria for recognition under *Accounting For Contributions Received and Contributions Made*.

**NOTE 2 - CONCENTRATION OF CREDIT RISK**

The Organization maintains cash in ten different accounts located in Haiti. Balances at December 31, 2012 totaled \$230,037. These balances are uninsured.

The Organization maintains cash balances over \$250,000 at two financial institutions; \$279,846 at one and \$257,478 in another. Accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000 per depositor. As of December 31, 2012, \$37,324 was uninsured.

MEDS & FOOD FOR KIDS  
NOTES TO FINANCIAL STATEMENTS

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December 31, 2012

**NOTE 3 - FIXED ASSETS AND DEPRECIATION**

A summary of fixed assets as of December 31, 2012 follows:

Equipment	\$ 811,523
Vehicles	100,147
Buildings	2,297,549
Furniture	<u>12,240</u>
Depreciable property total	3,221,459
Less: Accumulated depreciation	(353,812)
Land	<u>285,014</u>
Total Property and equipment	<u>\$3,152,661</u>

Depreciation policies are disclosed in Note 1. Depreciation expense for the year ended December 31, 2012 was \$176,319.

**NOTE 4 - OPERATING LEASES**

The Organization entered into a lease agreement for building space in Haiti in July 2012. The lease expires in June 2013 and provides for total payments of \$12,000 (Supply depot in Port-au-Prince).

The Organization entered into a lease agreement for building space in Haiti in May 2012. The lease expires in May 2013 and provides for total payments of \$7,750 (Habitacion Breda).

The Organization entered into a lease agreement for building space in Haiti in July 2012. The lease expires in July 2013 and provides for total payments of \$4,800 (Habitacion Breda).

The Organization entered into a lease agreement for building space in Haiti in December 2012. The lease expires in December 2013 and provides for total payments of \$7,800 (Habitacion Breda).

The Organization entered into a lease agreement for building space in Haiti in December 2012. The lease expires in December 2013 and provides for total payments of \$7,800 (Habitacion Breda).

MEDS & FOOD FOR KIDS  
NOTES TO FINANCIAL STATEMENTS

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December 31, 2012

**NOTE 5 - NOTES PAYABLE**

On December 5, 2011, the Organization entered into a loan agreement with LGT Venture Philanthropy for 732,034. The purpose of the loan was to finance factory construction costs in Haiti, and the loan accrues interest at a fixed rate of 6.75%. Repayment of the loan is to start in 2015. The loan matures in December 2018, and the balance at December 31, 2012 was \$732,034.

Future maturities of long term debt:

Year ending December 31,	2015	\$ 183,009
	2016	183,009
	2017	183,008
	2018	<u>183,008</u>
		<u>\$ 732,034</u>

**NOTE 6 - FAIR VALUE MEASUREMENTS**

Fair Value Measurements

Financial Accounting Standards Board Statement, *Fair Value Measurements*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three levels of the fair value hierarchy under this statement are described below:

*Level 1*- Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

*Level 2*- Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

*Level 3*- Inputs to the valuation methodology are unobservable and significant to the fair value measurement

MEDS & FOOD FOR KIDS  
NOTES TO FINANCIAL STATEMENTS

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December 31, 2012

**NOTE 6 - FAIR VALUE MEASUREMENTS (Continued)**

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes during 2012 to the methodologies used.

Stocks: Valued at the closing price reported on the active market on which the individual securities are traded.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table presents the Organization's fair value hierarchy for those assets measured at fair value on a recurring basis as of December 31, 2012:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Stocks	\$ 35,377	\$ -	\$ -	\$ 35,377
Total	<u>\$ 35,377</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,377</u>

**NOTE 7 - SUBSEQUENT EVENTS**

Management has evaluated subsequent events through August 6, 2013, the date which the financial statements were available for issue.

MEDS & FOOD FOR KIDS  
SCHEDULE OF FUNCTIONAL EXPENSES

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For the year ended December 31, 2012

	Project expenses	USDA Grant	General and Administration	Fundraising	Total
Automobile	\$ 23,748	\$ -	\$ -	\$ -	\$ 23,748
Depreciation	158,687	-	17,632	-	176,319
Expatriate expenses	31,521	-	-	-	31,521
Grant expense	174,428	249,167	-	-	423,595
Insurance	3,029	-	3,029	-	6,058
Interest expense	12,455	-	-	-	12,455
Loss on disposal of assets	28,582	-	-	-	28,582
Mamba production	1,019,922	-	-	-	1,019,922
Marketing	-	-	-	143,638	143,638
Miscellaneous expense	12,436	-	1,383	-	13,819
Office supplies	8,975	2,006	6,603	-	17,584
Postage and shipping	141,222	199	3,819	-	145,240
Power generation	27,831	8,429	-	-	36,260
Professional fees	31,911	3,305	17,922	-	53,138
Repairs and maintenance	38,528	-	-	-	38,528
Rent	2,926	21,711	-	-	24,637
Salaries	111,095	113,894	51,628	65,970	342,587
Telephone	5,963	2,193	-	-	8,156
Therapeutic program	4,860	-	-	-	4,860
Travel and meetings	38,506	14,261	8,230	-	60,997
<b>TOTAL</b>	<b>\$ 1,876,625</b>	<b>\$ 415,165</b>	<b>\$ 110,246</b>	<b>\$ 209,608</b>	<b>\$ 2,611,644</b>

See accompanying notes and independent auditor's report