

MEDS & FOOD FOR KIDS

FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

MEDS & FOOD FOR KIDS

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Fick, Eggemeyer & Williamson

Certified Public Accountants, PC



MEMBERS OF THE
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' 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 September 30, 2014, 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.

Auditors' 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 September 30, 2014, 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 on page 9 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
January 21, 2015

MEDS & FOOD FOR KIDS
STATEMENT OF FINANCIAL POSITION

September 30,

2014

ASSETS

Cash and cash equivalents	\$	2,115,213
Accounts receivable		82,967
Grants receivable		12,506
Container fees receivable		79,967
Other receivable		7,769
Inventory		742,746
Prepaid expenses		41,933
Total current assets		3,083,101
NON-CURRENT ASSETS		
Property and equipment		
(Net of accumulated depreciation) - note 3		2,823,169
Total non-current assets		2,823,169
Total assets	\$	5,906,270

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$	43,023
Interest payable		37,014
Other liabilities		266
Unearned revenue		132,043
Total current liabilities		212,346
NON-CURRENT LIABILITIES		
Notes payable - note 6		732,034
Total non-current liabilities		732,034
Total liabilities		944,380
Net assets		
Unrestricted		4,905,230
Temporarily restricted		56,660
Permanently restricted		-
Total net assets		4,961,890
Total liabilities and net assets	\$	5,906,270

See accompanying notes and independent auditors' report

MEDS & FOOD FOR KIDS
STATEMENT OF ACTIVITIES

For the year ended September 30,

2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenue (fundraising)				
Contributions (non Gala)	\$ 311,578	\$ 39,525	\$ -	\$ 351,103
Grants	-	547,404	-	547,404
Mamba sales	1,598,549	-	-	1,598,549
Gala income	427,990	-	-	427,990
Interest income	3,021	-	-	3,021
Other income	15,358	-	-	15,358
Non-cash contributions	32,514	-	-	32,514
Total support and revenue (fundraising)	2,389,010	586,929	-	2,975,939
Net assets released from restrictions	595,157	(595,157)	-	-
Total	2,984,167	(8,228)	-	2,975,939
Program expenses				
Project expenses	2,132,065	-	-	2,132,065
USDA grant	181,335	-	-	181,335
Total program expenses	2,313,400	-	-	2,313,400
Support expenses				
General and administration	142,997	-	-	142,997
Fundraising	191,489	-	-	191,489
Total support expenses	334,486	-	-	334,486
Total expenses	2,647,886	-	-	2,647,886
Changes in net assets	336,281	(8,228)	-	328,053
Net assets, beginning of period	4,568,949	64,888	-	4,633,837
Net assets, end of period	\$ 4,905,230	\$ 56,660	\$ -	\$ 4,961,890

See accompanying notes and independent auditors' report

MEDS & FOOD FOR KIDS
STATEMENT OF CASH FLOWS

For the year ended September 30,	2014
CASH FLOWS FROM OPERATING ACTIVITIES	
Changes in net assets	\$ 328,053
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:	
Depreciation	288,323
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	328,489
(Increase) decrease in grants receivable	239,927
(Increase) decrease in container anticipation fees receivable	350,049
(Increase) decrease in other receivable	(7,769)
(Increase) decrease in inventory	(5,144)
(Increase) decrease in prepaid expenses	21,341
Increase (decrease) in accounts payable	(160,811)
Increase (decrease) in grants payable	(24,309)
Increase (decrease) in other liabilities	(2,567)
Increase (decrease) in interest payable	(8,199)
Increase (decrease) in unearned revenue	<u>(156,027)</u>
Net cash provided by (used in) operating activities	<u>1,191,356</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of property and equipment	<u>(111,941)</u>
Net cash provided by (used in) investing activities	<u>(111,941)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
None	<u>-</u>
Net cash provided by (used in) financing activities	<u>-</u>
Net increase (decrease) in cash and cash equivalents	<u>1,079,415</u>
Cash and cash equivalents - beginning of period	<u>1,035,798</u>
Cash and cash equivalents - end of period	<u>\$ 2,115,213</u>
SUPPLEMENTAL CASH FLOW INFORMATION:	
Cash paid during the year for interest	\$ 49,412

See accompanying notes and independent auditors' report

MEDS & FOOD FOR KIDS
NOTES TO FINANCIAL STATEMENTS

September 30, 2014

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 September 30, 2014, no amounts have been recognized for uncertain tax positions. The Organization’s tax returns filed prior to 2012 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 twenty years.

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.

MEDS & FOOD FOR KIDS
NOTES TO FINANCIAL STATEMENTS

September 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 September 30, 2014 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.

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.

MEDS & FOOD FOR KIDS
NOTES TO FINANCIAL STATEMENTS

September 30, 2014

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.

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 received during the current fiscal year totaled \$32,514. This total is comprised of donated services 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 standards described in *Accounting For Contributions Received and Contributions Made*.

NOTE 2 - CONCENTRATION OF CREDIT RISK

The Organization maintains cash in six different accounts located in Haiti. Balances at September 30, 2014 totaled \$551,960. These cash balances are uninsured.

The Organization had demand deposits with Bank of America of \$417,575 as of September 30, 2014. The total cash balance at Bank of America is in excess of the federally insured limit of \$250,000 per depositor.

The Organization had demand deposits with Commerce Bank of \$1,159,061 as of September 30, 2014. The total cash balance at Commerce Bank is in excess of the federally insured limit of \$250,000 per depositor.

MEDS & FOOD FOR KIDS
NOTES TO FINANCIAL STATEMENTS

September 30, 2014

NOTE 3 - FIXED ASSETS AND DEPRECIATION

A summary of fixed assets as of September 30, 2014 follows:

Equipment	\$ 859,823
Vehicles	188,302
Buildings	2,297,549
Land improvements	15,047
Furniture	<u>12,240</u>
Depreciable property total	3,372,961
Less: Accumulated depreciation	(834,806)
Land	<u>285,014</u>
Total Property and equipment	<u>\$2,823,169</u>

Depreciation policies are disclosed in Note 1. Depreciation expense for the year ended September 30, 2014 was \$288,323.

NOTE 4 - OPERATING LEASES

The Organization entered into a lease agreement for building space in Haiti in January 2013. The lease expires in December 2014 and provides for total payments of \$4,800 (Habitacion Breda).

The Organization also entered into a lease agreement for similar building space in Haiti in January 2013. The lease expires in December 2014 and provides for total payments of \$5,460 (Habitacion Breda).

The Organization entered into a lease agreement for building space in Haiti in August 2014. The lease expires in August 2015 and provides for total payments of \$8,400 (Habitacion Breda).

NOTE 5 - TEMPORARILY RESTRICTED NET ASSETS

Components of temporarily restricted net assets as of September 30, 2014 were as follows:

Product donations	<u>\$ 56,660</u>
Total temporarily restricted	<u>\$ 56,660</u>

MEDS & FOOD FOR KIDS
NOTES TO FINANCIAL STATEMENTS

September 30, 2014

NOTE 6 - 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 December 2015. The loan matures in December 2018, and the balance at September 30, 2014 was \$732,034.

Future maturities of long term debt:

Year ending September 30,	2016	\$ 183,009
	2017	183,009
	2018	183,008
	2019	<u>183,008</u>
		<u>\$ 732,034</u>

NOTE 7 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 21, 2015, the date which the financial statements were available for issue.

MEDS & FOOD FOR KIDS
SCHEDULE OF FUNCTIONAL EXPENSES

For the year ended September 30, 2014

	Project expenses	USDA Grant	General and Administration	Fundraising	Total
Automobile	\$ 35,891	\$ -	\$ -	\$ -	\$ 35,891
Depreciation	259,491	-	28,832	-	288,323
Expatriate expenses	13,788	-	-	-	13,788
Grant expense	-	42,102	-	-	42,102
Insurance	4,471	-	1,490	-	5,961
Interest expense	41,213	-	-	-	41,213
Mamba production	1,149,243	-	-	-	1,149,243
Marketing	-	-	7,585	144,124	151,709
Office supplies	10,066	-	11,356	-	21,422
Postage and shipping	137,185	-	1,456	-	138,641
Professional fees	48,524	172	19,554	2,125	70,375
Repairs and maintenance	33,913	-	-	-	33,913
Rent	39,483	4,699	-	-	44,182
Salaries and payroll taxes	298,119	107,016	51,015	45,240	501,390
Telephone	10,549	217	5,533	-	16,299
Therapeutic program	832	-	-	-	832
Travel and meetings	49,297	27,129	16,176	-	92,602
TOTAL	\$ 2,132,065	\$ 181,335	\$ 142,997	\$ 191,489	\$ 2,647,886

See accompanying notes and independent auditors' report