

MEDS & FOOD FOR KIDS

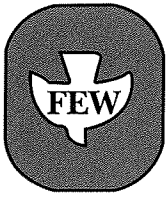
FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

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, 2016, 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, 2016, 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 8 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

December 23, 2016

MEDS & FOOD FOR KIDS
STATEMENT OF FINANCIAL POSITION

September 30,

2016

ASSETS

Cash and cash equivalents	\$	2,484,334
Accounts receivable		1,273,435
Container fees receivable, net		554,149
Inventory		787,450
Prepaid expenses		98,105
Total current assets		5,197,473
NON-CURRENT ASSETS		
Property and equipment		
(Net of accumulated depreciation) - note 4		2,478,732
Total non-current assets		2,478,732
Total assets	\$	7,676,205

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$	73,703
Other liabilities		846
Unearned revenue		1,298,835
Total current liabilities		1,373,384
Total liabilities		1,373,384
Net assets		
Unrestricted		6,302,821
Temporarily restricted		-
Permanently restricted		-
Total net assets		6,302,821
Total liabilities and net assets	\$	7,676,205

See accompanying notes and independent auditors' report

MEDS & FOOD FOR KIDS
STATEMENT OF ACTIVITIES

For the year ended September 30,

2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenue (fundraising)				
Contributions (non-Gala)	\$ 474,183	\$ -	\$ -	\$ 474,183
Grants	-	311,668	-	311,668
Mamba sales	2,856,617	-	-	2,856,617
Gala income	499,688	-	-	499,688
Interest income	1,232	-	-	1,232
Other income	1,202	-	-	1,202
Non-cash contributions	44,990	-	-	44,990
Total support and revenue (fundraising)	3,877,912	311,668	-	4,189,580
Net assets released from restrictions	311,668	(311,668)	-	-
Total	4,189,580	-	-	4,189,580
Program expenses				
Project expenses	3,390,734	-	-	3,390,734
Total program expenses	3,390,734	-	-	3,390,734
Support expenses				
General and administration	129,739	-	-	129,739
Fundraising	149,785	-	-	149,785
Total support expenses	279,524	-	-	279,524
Total expenses	3,670,258	-	-	3,670,258
Changes in net assets	519,322	-	-	519,322
Net assets, beginning of period	5,783,499	-	-	5,783,499
Net assets, end of period	\$ 6,302,821	\$ -	\$ -	\$ 6,302,821

See accompanying notes and independent auditors' report

MEDS & FOOD FOR KIDS
STATEMENT OF CASH FLOWS

For the year ended September 30,	2016
CASH FLOWS FROM OPERATING ACTIVITIES	
Changes in net assets	\$ 519,322
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:	
Depreciation	279,392
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(624,922)
(Increase) decrease in container anticipation fees receivable	(225,506)
(Increase) decrease in inventory	50,999
(Increase) decrease in prepaid expenses	(44,091)
Increase (decrease) in accounts payable	(583)
Increase (decrease) in other liabilities	(1,990)
Increase (decrease) in unearned revenue	1,198,835
Increase (decrease) in deposit on land sale	<u>(105,000)</u>
Net cash provided by (used in) operating activities	<u>1,046,456</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Sale of assets	165,079
Purchase of property and equipment	<u>(303,404)</u>
Net cash provided by (used in) investing activities	<u>(138,325)</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>908,131</u>
Cash and cash equivalents - beginning of period	<u>1,576,203</u>
Cash and cash equivalents - end of period	<u>\$ 2,484,334</u>

See accompanying notes and independent auditors' report

MEDS & FOOD FOR KIDS
NOTES TO FINANCIAL STATEMENTS

September 30, 2016

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, 2016, no amounts have been recognized for uncertain tax positions. The Organization’s tax returns filed prior to 2013 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, 2016

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 accounts receivable to be fully collectable. As a result, the allowance for doubtful accounts for accounts receivables as of September 30, 2016 is \$0. The Organization pays refundable container fees to the Haitian government for materials shipped into Haiti. Management believes a significant portion of the container fees will not be refunded. As a result, the allowance for doubtful accounts for container fees as of September 30, 2016 is \$451,259.

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, 2016

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.

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. Those balances as of September 30, 2016 totaled \$70,372, which is not insured by depository insurance.

The Organization held demand deposits with Commerce Bank of \$1,624,964 as of September 30, 2016. The total cash balance at Commerce Bank was in excess of the federally insured limit of \$250,000 per depositor.

The Organization held demand deposits with Bank of America of \$372,624 as of September 30, 2016. The total cash balance at Bank of America was in excess of the federally insured limit of \$250,000 per depositor.

MEDS & FOOD FOR KIDS
NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE 3 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 23, 2016, the date which the financial statements were available for issue, and noted no reportable events.

NOTE 4 - FIXED ASSETS AND DEPRECIATION

A summary of fixed assets as of September 30, 2016 follows:

Equipment	\$ 996,167
Vehicles	189,405
Buildings	2,322,429
Land improvements	15,047
Furniture	<u>12,240</u>
Depreciable property total	3,535,288
Less: Accumulated depreciation	(1,423,158)
Construction in progress	246,667
Land	<u>119,935</u>
Total Property and equipment	<u>\$2,478,732</u>

Depreciation policies are disclosed in Note 1. Depreciation expense for the year ended September 30, 2016 was \$279,392.

NOTE 5 - OPERATING LEASES

The Organization entered into a lease agreement for building space in Haiti in January 2015. The lease expires in December 2016 and provides for total payments of \$5,460.

The Organization entered into a lease agreement for building space in Haiti in June 2015. The lease expires in June 2017 and provides for total payments of \$13,000.

As of September 30, 2016, all lease payments have been made for both lease agreements through the end of each lease term.

MEDS & FOOD FOR KIDS
SCHEDULE OF FUNCTIONAL EXPENSES

For the year ended September 30, 2016

	Project expenses	General and Administration	Fundraising	Total
Automobile	\$ 28,541	\$ -	\$ -	\$ 28,541
Bad debt expense	451,523	-	-	\$ 451,523
Depreciation	251,453	27,939	-	279,392
Expatriate expenses	36,537	-	-	36,537
Insurance	4,707	1,569	-	6,276
Loss on disposal of assets	22,420	-	-	22,420
Loss on currency conversion	-	5,815	-	5,815
Mamba production	1,763,322	-	-	1,763,322
Marketing	19,615	8,077	87,693	115,385
Office supplies	4,403	4,685	280	9,368
Postage and shipping	192,396	1,943	-	194,339
Power generation	28,440	-	-	28,440
Professional fees	20,202	6,283	12,786	39,271
Other expenses	27,216	-	-	27,216
Repairs and maintenance	16,206	-	-	16,206
Rent	6,504	-	-	6,504
Salaries and payroll taxes	441,230	54,473	49,026	544,729
Telephone	10,905	5,618	-	16,523
Travel and meetings	65,114	13,337	-	78,451
TOTAL	<u>\$ 3,390,734</u>	<u>\$ 129,739</u>	<u>\$ 149,785</u>	<u>\$ 3,670,258</u>

See accompanying notes and independent auditors' report