

MEDS & FOOD FOR KIDS

AUDITED FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

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 nonprofit corporation), which comprise the statement of financial position as of September 30, 2019, and the related statements of activities, functional expenses, and cash flows for the fiscal 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 auditors' 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, 2019, and the changes in its net assets and its cash flows for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Fick, Eggemeyer & Williamson

Fick, Eggemeyer & Williamson, CPAs

St. Louis, Missouri

March 20, 2020

MEDS & FOOD FOR KIDS
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2019

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$	780,725
Certificates of deposit		2,207,000
Accounts receivable, net of allowance for doubtful accounts		685,139
Container fees receivable		731,865
Inventory		1,553,269
Prepaid expenses		83,726

Total current assets		<u>6,041,724</u>
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NONCURRENT ASSETS

Property and equipment, net of accumulated depreciation		<u>4,089,721</u>
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Total noncurrent assets		<u>4,089,721</u>
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Total assets	\$	<u><u>10,131,445</u></u>
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LIABILITIES AND EQUITY

CURRENT LIABILITIES

Accounts payable	\$	36,335
Other liabilities		<u>2,541</u>

Total current liabilities		<u>38,876</u>
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NONCURRENT LIABILITIES

None		<u>-</u>
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Total liabilities		<u>38,876</u>
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NET ASSETS

Without donor restrictions		10,054,512
With donor restrictions		<u>38,057</u>

Total net assets		<u>10,092,569</u>
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Total liabilities and net assets	\$	<u><u>10,131,445</u></u>
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See accompanying notes and independent auditors' report

MEDS & FOOD FOR KIDS
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

	Without Donor Restriction	With Donor Restriction	Total
SUPPORT AND REVENUE			
Contributions (non-Gala)	\$ 465,794	\$ -	\$ 465,794
Grants	-	383,249	383,249
Mamba sales	2,455,842	-	2,455,842
Gala income	492,640	-	492,640
Other income	1,079	-	1,079
Non-cash contributions	5,118	-	5,118
Total support and revenue	3,420,473	383,249	3,803,722
Net assets released from restrictions			
Satisfaction of restrictions	421,488	(421,488)	-
Total	3,841,961	(38,239)	3,803,722
PROGRAM EXPENSES			
Program	3,707,937	-	3,707,937
Total program expenses	3,707,937	-	3,707,937
Support expenses			
General and administration	127,469	-	127,469
Fundraising	214,618	-	214,618
Total support expenses	342,087	-	342,087
Total expenses	4,050,024	-	4,050,024
Changes in net assets from operations	(208,063)	(38,239)	(246,302)
INVESTMENT ACTIVITIES			
Dividend and interest income	55,775	-	55,775
Total investment activities	55,775	-	55,775
Change in net assets	(152,288)	(38,239)	(190,527)
Net assets - beginning of year	10,206,800	76,296	10,283,096
Net assets - end of year	\$ 10,054,512	\$ 38,057	\$ 10,092,569

See accompanying notes and independent auditors' report

MEDS & FOOD FOR KIDS
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

	<u>Program</u>	<u>General and Administration</u>	<u>Fundraising</u>	<u>Total</u>
Automobile	\$ 22,580	\$ -	\$ -	\$ 22,580
Depreciation	497,985	-	-	497,985
Expatriate	32,377	-	-	32,377
Insurance	45,468	10,429	-	55,897
Mamba production	1,893,402	-	-	1,893,402
Marketing	-	-	96,342	96,342
Office supplies	22,383	10,296	4,141	36,820
Postage and shipping	289,369	1,709	595	291,673
Power generation	29,973	-	-	29,973
Professional fees	58,027	22,238	-	80,265
Repairs and maintenance	46,567	-	-	46,567
Rent	6,494	-	-	6,494
Salaries and payroll taxes	412,909	58,823	113,540	585,272
Telephone	7,955	5,338	-	13,293
Travel and meetings	70,434	18,636	-	89,070
Bad debt	104,615	-	-	104,615
Agriculture and nutrition	117,950	-	-	117,950
Other	49,449	-	-	49,449
Total	<u>\$ 3,707,937</u>	<u>\$ 127,469</u>	<u>\$ 214,618</u>	<u>\$ 4,050,024</u>

See accompanying notes and independent auditors' report

MEDS & FOOD FOR KIDS
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES

Changes in net assets \$ (190,527)

Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:

Depreciation 497,985

Changes in assets and liabilities:

(Increase) decrease in accounts receivable (344,352)

(Increase) decrease in container fees recievable (457,099)

(Increase) decrease in inventory (494,954)

(Increase) decrease in deposit on equipment 916,844

(Increase) decrease in prepaid expenses (29,105)

Increase (decrease) in accounts payable 11,172

Increase (decrease) in other liabilities (120,254)

Increase (decrease) in unearned revenue (59,482)

Net cash provided by (used in) operating activities (269,772)

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of certificates of deposit (172,000)

Purchases of property and equipment (1,839,143)

Net cash provided by (used in) investing activities (2,011,143)

CASH FLOWS FROM FINANCING ACTIVITIES

None -

Net cash provided by (used in) financing activities -

Net increase (decrease) in cash and cash equivalents (2,280,915)

Cash and cash equivalents - beginning of period 3,061,640

Cash and cash equivalents - end of period \$ 780,725

See accompanying notes and independent auditors' report

MEDS & FOOD FOR KIDS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

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 cash and non-cash donations from the general public and corporations.

New Accounting Pronouncement

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment returns. The Organization has adjusted the presentation of these statements accordingly.

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.

Basis of Presentation

The financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

Net assets with donor restrictions - Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated that the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

MEDS & FOOD FOR KIDS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

The Organization considers all highly liquid investments with an original maturity of three months or less to be cash equivalents for financial statement purposes.

Certificates of Deposit

Certificates of deposit held at banks with original maturities in excess of three months are reported at cost, which approximates fair market value, and are not considered cash equivalents.

Accounts receivable

All accounts receivable are recorded at cost. An allowance for doubtful accounts has been established based on historical experience, coupled with a review of the current status of existing receivables. Currently, the allowance for doubtful accounts is \$100,000.

Property and equipment

Property and equipment 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. Currently, assets are depreciated over useful lives ranging from three to twenty years. Expenditures for repairs and maintenance are charged to operating expense as incurred. Depreciation expense for the fiscal year ended September 30, 2019 was \$497,985.

Contributed Services

The Organization receives a significant amount of contributed services from various unpaid volunteers. When such services represent specialized skills that would be otherwise purchased and the value of the services can be readily ascertained, those values are recorded as contributed services and charged to the appropriate expense category in the financial statements. No amounts have been recognized in the statement of activities because the criteria for recognition have not been satisfied.

Non-cash contributions

The Organization receives donations of products from various sources. When such products are received, the fair market value is recorded in the financial statements at the time of the donation.

Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor-restricted contributions are reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction, depending on the nature of the restriction, is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

MEDS & FOOD FOR KIDS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 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.

Measure of operations

The statement of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the Organization's program services and support services. Nonoperating activities are limited to resources that generate a return on investments and other activities considered to be of a more unusual or nonrecurring nature.

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, 2019, no amounts have been recognized for uncertain tax positions. The Organization's tax returns for 2016 and prior are closed.

Note 2 - FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing programs and other activities have been summarized on a functional basis in the statement activities. Accordingly, certain costs have been allocated between general and administration, fundraising or the appropriate program based on evaluations of the related benefits. Such allocations are determined by management on an equitable basis. Expenditures have been allocated based on time and effort or specific identification, when available.

Note 3 - CONCENTRATION OF CREDIT RISK

The Organization maintains various deposit accounts at Sogebank and Unibank, located in Haiti. As of September 30, 2019, cash deposits totaled \$97,578 and were not insured by depository insurance. The Organization also maintains various deposit accounts at Bank of America and Commerce Bank totaling \$319,845 and \$399,720, respectively. Each depositor is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. As of September 30, 2019, the Organization's account balances at Bank of America and Commerce Bank exceed the federally insured limit by \$69,845 and \$149,720, respectively.

MEDS & FOOD FOR KIDS
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2019

Note 4 - OPERATING LEASES

The Organization entered into an oral lease agreement for building space in Haiti in June 2019. The lease is on a month-to-month basis until a written agreement is completed. The required monthly payments are \$542.

Note 5 - PROPERTY AND EQUIPMENT

A summary of property and equipment as of September 30, 2019 follows:

Equipment	\$ 2,438,857
Vehicles	226,472
Buildings	3,130,479
Furniture	<u>79,508</u>
Total depreciable property and equipment	5,875,316
Accumulated depreciation	<u>(2,382,204)</u>
Depreciable property and equipment, net	3,493,112
Construction in progress	476,674
Land	<u>119,935</u>
Property and equipment	<u>\$ 4,089,721</u>

Note 6 - AVAILABILITY AND LIQUIDITY

The following represents the Organization's financial assets at September 30, 2019:

Financial assets at year-end:	
Cash and cash equivalents	\$ 780,725
Certificates of deposit	2,207,000
Accounts receivable	685,139
Container fees receivable	<u>731,865</u>
Total financial assets at year-end	<u>4,404,729</u>
Less amounts not available for general expenditures within one year:	
Net assets with period restrictions in excess of one year	-
Net assets with purpose restrictions	<u>38,057</u>
Total amounts not available for general expenditures within one year	<u>38,057</u>
Financial assets available to meet general expenditures within one year	<u>\$ 4,366,672</u>

MEDS & FOOD FOR KIDS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

Note 7 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of December 31, 2019 are restricted as follows:

	<u>Purpose</u>	<u>Period</u>
Agricultural research	<u>\$ 38,057</u>	<u>\$ -</u>
Total	<u>\$ 38,057</u>	<u>\$ -</u>

Note 8 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 20, 2020, the date which the financial statements were available for issue, and noted no reportable events.