

**MANA NUTRITIVE AID**  
**PRODUCTS INCORPORATED**

Financial Statements for the Years  
Ended September 30, 2017 and 2016  
and Independent Auditors' Report

# ***C. DEWITT FOARD & COMPANY, P.A.***

---

*CERTIFIED PUBLIC ACCOUNTANTS  
817 EAST MOREHEAD STREET SUITE 100  
CHARLOTTE, NORTH CAROLINA 28202  
TELEPHONE: 704-372-1515 FACSIMILE: 704-372-6066*

*PHILLIP G. WILSON  
TERRY W. LANCASTER*

## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
MANA Nutritive Aid Products Incorporated  
Matthews, North Carolina

We have audited the accompanying financial statements of MANA Nutritive Aid Products Incorporated, (the "Organization" - a nonprofit corporation), which comprise the statement of financial position as of September 30, 2017 and 2016, and the related statements of activities and cash flows for the years 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 in the first paragraph present fairly, in all material respects, the financial position of MANA Nutritive Aid Products Incorporated, as of September 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*C. Dewitt Foard & Company, P.A.*  
October 20, 2017

## **MANA NUTRITIVE AID PRODUCTS INCORPORATED**

### STATEMENTS OF FINANCIAL POSITION SEPTEMBER 30, 2017 AND 2016

<u>ASSETS</u>	<u>2017</u>	<u>2016</u>
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 2,374,556	\$ 3,366,209
Accounts receivable, net	1,781,901	2,104,195
Inventory, net	5,293,263	3,797,942
Equipment held for sale	289,761	299,761
Prepaid expenses and other assets	177,038	81,805
Total current assets	<u>9,916,519</u>	<u>9,649,912</u>
<b>PROPERTY:</b>		
Land	35,739	-
Building	2,031,329	1,933,071
Manufacturing equipment	5,467,482	5,231,808
Other equipment and furnishing	511,088	458,692
Construction in progress	771,161	220,121
Total	8,816,799	7,843,692
Less accumulated depreciation and amortization	<u>2,552,160</u>	<u>1,949,437</u>
Property, net	<u>6,264,639</u>	<u>5,894,255</u>
<b>OTHER ASSETS:</b>		
Loan costs	90,609	-
Vendor deposits	5,071	5,071
Total other assets	<u>95,680</u>	<u>5,071</u>
<b>TOTAL</b>	<b><u>\$ 16,276,838</u></b>	<b><u>\$ 15,549,238</u></b>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>CURRENT LIABILITIES:</b>		
Current portion of notes payable	\$ 224,129	\$ 306,760
Current portion of capital lease obligations	4,897	7,415
Accounts payable and accrued expenses	1,127,196	661,091
Total current liabilities	<u>1,356,222</u>	<u>975,266</u>
<b>LONG-TERM LIABILITIES:</b>		
Capital lease obligations, net of current portion	3,786	8,683
Notes payable, net of unamortized discount and current portion	1,349,676	1,694,121
Note payable to Foundation, net of unamortized discount	6,831,078	6,799,825
Total long-term liabilities	<u>8,184,540</u>	<u>8,502,629</u>
<b>NET ASSETS:</b>		
Unrestricted	6,554,315	5,766,704
Temporarily restricted	181,761	304,639
Total net assets	<u>6,736,076</u>	<u>6,071,343</u>
<b>TOTAL</b>	<b><u>\$ 16,276,838</u></b>	<b><u>\$ 15,549,238</u></b>

See notes to financial statements.

## MANA NUTRITIVE AID PRODUCTS INCORPORATED

### STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016

	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>INCOME:</b>						
Product sales	\$ 21,802,109	\$ -	\$ 21,802,109	\$ 20,440,740	\$ -	\$ 20,440,740
Public and corporate support	615,477	-	615,477	381,980	200,000	581,980
Miscellaneous and other income	6,535	-	6,535	9,213	-	9,213
Released from restrictions	<u>122,878</u>	<u>(122,878)</u>	<u>-</u>	<u>191,671</u>	<u>(191,671)</u>	<u>-</u>
Total income	<u>22,546,999</u>	<u>(122,878)</u>	<u>22,424,121</u>	<u>21,023,604</u>	<u>8,329</u>	<u>21,031,933</u>
<b>EXPENSES:</b>						
Program services:						
Product expenses	17,826,051	-	17,826,051	15,750,758	-	15,750,758
Product fulfillment	590,690	-	590,690	375,122	-	375,122
Compensation	866,970	-	866,970	709,569	-	709,569
Facilities expense	649,605	-	649,605	746,774	-	746,774
Professional fees	4,153	-	4,153	5,091	-	5,091
Travel and entertainment	12,090	-	12,090	29,401	-	29,401
Insurance and fees	102,109	-	102,109	88,607	-	88,607
Communication expenses	6,106	-	6,106	5,364	-	5,364
Office expenses	51,205	-	51,205	52,069	-	52,069
Depreciation	573,773	-	573,773	534,184	-	534,184
Interest expense	60,453	-	60,453	76,912	-	76,912
Loss on disposal of assets	69,486	-	69,486	-	-	-
Other	<u>24,574</u>	<u>-</u>	<u>24,574</u>	<u>52,749</u>	<u>-</u>	<u>52,749</u>
Total program services	<u>20,837,265</u>	<u>-</u>	<u>20,837,265</u>	<u>18,426,600</u>	<u>-</u>	<u>18,426,600</u>
Supporting services:						
Compensation	584,924	-	584,924	541,037	-	541,037
Facilities expense	24,065	-	24,065	21,013	-	21,013
Professional fees	135,862	-	135,862	109,400	-	109,400
Travel and entertainment	41,200	-	41,200	14,493	-	14,493
Insurance	14,630	-	14,630	13,271	-	13,271
Fundraising and public relations	6,315	-	6,315	6,789	-	6,789
Communication expenses	7,218	-	7,218	6,943	-	6,943
Office expenses	18,953	-	18,953	16,257	-	16,257
Depreciation	28,950	-	28,950	29,198	-	29,198
Interest expense	57,760	-	57,760	79,557	-	79,557
Other	<u>2,246</u>	<u>-</u>	<u>2,246</u>	<u>5,226</u>	<u>-</u>	<u>5,226</u>
Total supporting services	<u>922,123</u>	<u>-</u>	<u>922,123</u>	<u>843,184</u>	<u>-</u>	<u>843,184</u>
Total expenses	<u>21,759,388</u>	<u>-</u>	<u>21,759,388</u>	<u>19,269,784</u>	<u>-</u>	<u>19,269,784</u>
CHANGE IN NET ASSETS	787,611	(122,878)	664,733	1,753,820	8,329	1,762,149
NET ASSETS, BEGINNING	<u>5,766,704</u>	<u>304,639</u>	<u>6,071,343</u>	<u>4,012,884</u>	<u>296,310</u>	<u>4,309,194</u>
NET ASSETS, ENDING	<u>\$ 6,554,315</u>	<u>\$ 181,761</u>	<u>\$ 6,736,076</u>	<u>\$ 5,766,704</u>	<u>\$ 304,639</u>	<u>\$ 6,071,343</u>

See notes to financial statements.

## **MANA NUTRITIVE AID PRODUCTS INCORPORATED**

### STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016

---

	<u>2017</u>	<u>2016</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 664,733	\$ 1,762,149
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	602,723	563,382
Loss on disposition of property	69,486	-
Change in reserves and allowances	(73,797)	99,238
Amortization of discount on notes payable	41,822	72,727
Changes in operating assets and liabilities:		
Accounts receivable	322,400	(1,033,167)
Inventory	(1,421,630)	(12,387)
Prepaid expenses and other assets	(182,340)	14,698
Accounts payable and accrued expenses	466,105	133,845
Net cash applied to operating activities	<u>489,502</u>	<u>1,600,485</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of property and equipment	<u>(1,036,094)</u>	<u>(513,362)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from notes payable	968,160	1,673,035
Payments on note payable	<u>(1,413,221)</u>	<u>(1,958,811)</u>
Net cash provided by financing activities	<u>(445,061)</u>	<u>(285,776)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(991,653)</b>	<b>801,347</b>
<b>CASH AND CASH EQUIVALENTS BALANCE, BEGINNING OF PERIOD</b>	<b><u>3,366,209</u></b>	<b><u>2,564,862</u></b>
<b>CASH AND CASH EQUIVALENTS BALANCE, END OF PERIOD</b>	<b><u>\$ 2,374,556</u></b>	<b><u>\$ 3,366,209</u></b>
<b>SUPPLEMENTAL INFORMATION:</b>		
Interest paid	<u>\$ 76,391</u>	<u>\$ 83,742</u>

See notes to financial statements.

# **MANA NUTRITIVE AID PRODUCTS INCORPORATED**

## NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016

---

### 1. SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Operations - MANA Nutritive Aid Products Incorporated (the “Organization”) operates as a not-for-profit organization whose principal mission is to develop and provide solutions to address the root causes of malnutrition and its devastating effects. The Organization aims to prevent child deaths due to severe acute malnutrition by treating the condition through the production and distribution of fortified foods. MANA has developed and produces a Ready-to-Use Therapeutic Food (“RUTF”) in the form of a fortified peanut butter paste known as “MANA”. RUTF’s like MANA provide severely malnourished children with the calories and nutrition they need to reach a healthy weight and fend off nutrition-related diseases. The Organization has focused on raising funds and marketing its product to future customers.

Use of Accounting Estimates - The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of support, revenues and expenses during the reporting period. Accordingly, the actual amounts could differ from those estimates. Any adjustments applied to estimated amounts are recognized in the year in which such adjustments are determined.

Financial Statement Presentation - The net assets of the Organization and changes therein are classified and reported as follows:

*Unrestricted net assets* - Net assets that are not restricted by donors or for which donor-imposed restrictions have expired.

*Temporarily restricted net assets* - Net assets that contain donor-imposed time or purpose restrictions that have not currently been met.

*Permanently restricted net assets* - Net assets which contain donor-imposed restrictions stipulating that the amounts be maintained by the Organization in perpetuity. There were no permanently restricted net assets as of September 30, 2017 and 2016.

Cash and Cash Equivalents - The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The Organization maintains cash deposits with financial institutions that, at times, may exceed federally insured limits.

Accounts Receivable - The Organization extends credit to its customers. By their nature, accounts receivable involve risk, including the credit risk of nonpayment by the customer. Accounts receivable are considered past due based on contractual and invoice terms. Accounts deemed uncollectible are charged directly to bad debt expense. As of September 30, 2017, the Organization considered \$10,000 of its remaining accounts uncollectible and, therefore, an allowance has been provided. As of September 30, 2016, a balance of \$10,106 was considered uncollectible and an allowance for that amount was provided.

Inventory - Inventory is stated at the lower of cost (average cost) or market.

Property - Property is recorded at cost, if purchased and at estimated fair market value at the date of receipt, if donated. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, which range from three years for computer equipment to thirty years for buildings. The Organization capitalizes expenditures for property and equipment over \$1,000. Donated property is reported as unrestricted support unless the donor restricts the donated asset to a specific purpose.

# **MANA NUTRITIVE AID PRODUCTS INCORPORATED**

## NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016

---

Donated Services - A number of volunteers, including members of the Board of Directors and its committees as well as various volunteer assistants, contribute significant amounts of time to further the Organization's programs. The value of this contributed time does not meet the criteria for recognition of contributed services and, accordingly, is not reflected as support in the accompanying financial statements. The Organization did receive donated inventory, legal and other professional services of approximately \$65,456 and \$64,275 for the years ended September 30, 2017 and 2016, respectively, that is recorded as support and related expenditures in the accompanying financial statements.

Income Taxes - The Organization is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, therefore, no provision for income taxes has been made in the accompanying financial statements.

As of September 30, 2017, the tax year years ended September 30, 2014 through 2017 were open for potential examination by taxing authorities.

Revenue Recognition - The Organization recognizes contributions that are given unconditionally as support in the period the contributions are promised. Contributions that are restricted by the donor are reported as an increase in unrestricted net assets if the restriction expires in the period in which the support is recognized. All other donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets. During the year restrictions were satisfied based on expiration of time restriction.

Revenue from product sales is recognized upon shipment, which is when title transfers.

Advertising Expense - The Organization expenses the cost of advertising as incurred. The accompanying statements of activities include advertising expense in the amount of \$2,077 and \$3,143 for the years ended September 30, 2017 and 2016, respectively.

Research and Development Costs - Expenditures related to the development of new products and processes, including significant improvements and refinements to existing products, are expensed as incurred.

Shipping and Handling Costs - The Organization includes shipping and handling costs in product expenses, as incurred.

Functional Expense Classification - The Organization's functional expense classification and allocation policy is based on a review of the current organizational structure, and the identification, reclassification and allocation of certain employee, facility, and departmental expenses, which serve multiple functional areas.

Subsequent Events - In preparing its financial statements, the Organization has evaluated subsequent events through the date of the auditors' report, which is the date the financial statements were available to be issued. During this time, no material subsequent events were identified.

# MANA NUTRITIVE AID PRODUCTS INCORPORATED

## NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016

---

### 2. INVENTORY

Inventory as of September 30, 2017 and 2016 consisted of the following:

	<u>2017</u>	<u>2016</u>
Raw materials	\$ 1,370,994	\$ 877,685
Finished goods	<u>3,957,710</u>	<u>2,990,762</u>
Subtotal	5,328,704	3,868,447
Less allowance for obsolescence	<u>35,441</u>	<u>109,132</u>
Total, net	<u>\$ 5,293,263</u>	<u>\$ 3,759,315</u>

### 3. EQUIPMENT HELD FOR SALE

The Organization had equipment held for use in future Rwanda production that was never placed in service and will not be placed in service as the Board decided to cease operations in Rwanda as of September 30, 2011. As such, the equipment was classified as held for sale as of September 30, 2017 and 2016.

### 4. NOTES PAYABLE

Notes payable as of September 30, 2017 and 2016 consisted of the following:

	<u>2017</u>	<u>2016</u>
Note payable to a foundation with a face amount of \$7,000,000. The loan is secured by equipment, bears no interest and is payable in five equal annual installments from January 2021 through January 2026. When the loan proceeds were advanced, the Organization recorded contribution revenue and a loan discount of approximately \$784,000 using the applicable federal rate of 1.63% as of September 30, 2011.	\$ 6,831,078	\$ 6,799,825
Note payable to a foundation with a face amount of \$1,000,000. One of the foundation's officers is a board member of the Organization. The loan is secured by equipment, bears no interest and is due in five equal annual installments from January 2016 through January 2020. When the loan proceeds were advanced, the Organization recorded contribution revenue and a loan discount of approximately \$124,000 using the applicable federal rate of 1.63% as of September 30, 2012.	587,161	776,592

# MANA NUTRITIVE AID PRODUCTS INCORPORATED

## NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016

---

	<u>2017</u>	<u>2016</u>
Note payable to an individual in the amount of \$1,700,000 was paid off during the year ended 2017.	-	1,201,877

The Organization has a construction loan agreement with a financial institution up to \$3,578,000. The Organization is currently drawing on the loan as construction on a new warehouse is being completed. The loan will be repaid in equal monthly installments of \$19,878 plus interest beginning in September 2018 with the balance due upon maturity of the loan in August 2028. The interest rate is equal to the LIBOR Daily Floating Rate plus two percentage points. The rate at year-end equaled 3.24%. In October 2017, the Organization entered into an interest rate swap agreement effectively fixing the interest rate on \$2,250,000 of the note payable at 4.59%. The balance subject to the swap agreement will amortize in equal monthly installments of \$19,878 beginning in September 2018 through December 2027.

968,160

-

Note payable to a financial institution in the amount of \$23,035. The loan bears interest at 8.342% and is payable in monthly installments of principal and interest of \$471 through July 2021.

18,483

22,412

Total

8,404,883

8,800,706

Less current portion

224,129

306,760

Long-term portion

\$ 8,180,754

\$ 8,493,946

Scheduled maturities of the Organization's long-term notes payable as of September 30, 2017 were as follows:

Year ending September 30:

2018	\$ 224,129
2019	410,281
2020	414,362
2021	1,607,273
2022	1,603,796
Thereafter	<u>4,145,042</u>
Total	<u>\$ 8,404,883</u>

Imputed interest expense of \$41,822 and \$72,727 is included in the accompanying statements of activities for the year ended September 30, 2017 and 2016, respectively.

# **MANA NUTRITIVE AID PRODUCTS INCORPORATED**

## NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016

---

### 5. LINE OF CREDIT

The Organization has available a line of credit up to \$2,000,000, subject to borrowing base limitations, from a local financial institution. The line of credit is secured by accounts receivable and inventory, matures in September 2018, and is subject to interest on outstanding balances at the LIBOR Daily Floating Rate plus 3 percentage points. The Organization did not draw any proceeds from the line of credit during the year ended September 30, 2017.

### 6. TEMPORARILY RESTRICTED NET ASSETS

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Temporarily restricted net assets available for future periods or purposes as of September 30, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Purpose restricted: Save the Children	\$ -	\$ 81,056
Time restricted: Imputed interest on notes payable	<u>181,761</u>	<u>223,583</u>
<b>TOTAL</b>	<b><u>\$ 181,761</u></b>	<b><u>\$ 304,639</u></b>

Net assets were released from restrictions by expiration of time restrictions (\$41,822) and satisfaction of restricted purpose (\$81,056).

### 7. CAPITAL LEASE COMMITMENTS

The Organization leases equipment with a net book value of \$35,182 under capital leases. Future minimum rental payments due under these leases at September 30, 2017 are as follows:

Year ended September 30:	
2018	\$ 5,167
2019	<u>3,875</u>
Total lease payments	9,042
Less amount representing interest	<u>359</u>
Present value of net minimum lease payments	<b><u>\$ 8,683</u></b>

During the year ended September 30, 2017, the Organization made total payments of \$7,953 related to capital leases.

# **MANA NUTRITIVE AID PRODUCTS INCORPORATED**

## NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016

---

### 8. OPERATING LEASES

The Organization leases warehouse space and office space under operating lease agreements. Lease expense for the year ended September 30, 2017 was \$218,950. Future minimum payments due under operating lease agreements were as follows:

Year ended September 30:	
2018	\$ 101,000
2019	21,000
2020	<u>5,250</u>
Total	<u>\$ 127,250</u>

### 9. CONCENTRATIONS

Sales to the Organization's largest two customers accounted for approximately 94% of total product sales for the year ended September 30, 2017. Receivables due from one customer represented 79% of the accounts receivable balance as of September 30, 2017.

The Organization's support comes from a limited number of donors.

### 10. RELATED PARTY TRANSACTIONS

Certain officers of MANA are on the Board of Directors of Calorie Cloud, a not-for-profit organization whose purpose is to help millions of American adults and children become healthier through activity and use the benefits realized to help eradicate childhood deaths around the world due to severe acute malnutrition. During the year MANA received \$400,000 from a corporate contributor and paid Calorie Cloud \$200,000 of that amount to execute a health program pursuant to a service requirement of the contribution. Through wellness programs for its customers, Calorie Cloud contributed \$36,000 to MANA which was designated for and used to fund delivery of RUTF to world health organizations for treatment of severe acute malnutrition. During the fiscal year ended September 30, 2017, MANA loaned \$50,000 to Calorie Cloud to fund short-term working capital needs. The loan was repaid in the same fiscal year. Calorie Cloud also provides technology support services to MANA, for which it was paid \$32,400 in fiscal year 2017.

### 11. CONSTRUCTION COMMITMENT

As of September 30, 2017, the Organization had entered into a binding contract for construction on a new warehouse. Upon acceptable completion of this construction, the Organization will owe an additional \$2,609,840 under the terms of the contract.

### 12. CONTINGENCIES

The Organization is involved in various claims or actions arising in the normal course of business. It is management's opinion that the resolution of these matters will not materially affect the Organization's financial position or the results of its operations.