EDESIA, INC. AND SUBSIDIARIES

Consolidated Financial Statements
and Supplementary Information

Year Ended December 31, 2017

(With Independent Auditors' Report Thereon)

Kahn, Litwin, Renza & Co., Ltd.
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KLR

Certified Public Accountants
and Business Consultants

EDESIA, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

Year Ended December 31, 2017

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Edesia, Inc. and Subsidiaries:

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Edesia, Inc. (Edesia) (a non-profit organization), Edesia Industries, LLC and Edesia Enterprises, LLC (the Subsidiaries) (collectively the Organization), which comprise the consolidated statement of financial position as of December 31, 2017, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the consolidated 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 Organization'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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Edesia, Inc. and Subsidiaries as of December 31, 2017, 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.

Report on Summarized Comparative Information

We have previously audited the Organization's December 31, 2016 consolidated financial statements, and we expressed an unmodified opinion on those audited consolidated financial statements in our report dated April 27, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or the consolidated 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 consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 27, 2018 on our consideration of Edesia, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Kahn, Litwin, Renza & Co, Ltd.

April 27, 2018

EDESIA, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
December 31, 2017
(With Comparative Totals at December 31, 2016)

	2017	2016
Assets		
Current Assets:		
Cash and cash equivalents	$ 3,335,563	$ 881,434
Grants and contracts receivable	7,164,371	7,165,942
Inventory	4,230,738	5,301,249
Prepaid expenses	298,114	213,275
Total current assets	**15,028,786**	**13,561,900**
Property and Equipment	15,131,522	12,635,045
Less accumulated depreciation	6,590,295	4,472,056
Property and equipment	**8,541,227**	**8,162,989**
Construction in Progress	43,698	904,478
Security Deposits	12,325	12,388
Total Assets	**$ 23,626,036**	**$ 22,641,755**
Liabilities and Net Assets		
Current Liabilities:		
Line of credit	$ -	$ 1,500,000
Accounts payable and accrued expenses	1,939,527	2,569,212
Royalties payable	383,210	336,850
Equipment loan payable, current portion	581,651	462,024
Capital lease obligations, current portion	58,906	56,240
Deferred revenue	-	630,813
Total current liabilities	**2,963,294**	**5,555,139**
Equipment Loan Payable, less current portion	2,792,870	2,802,974
Capital Lease Obligations, less current portion	128,217	186,483
Total liabilities	**5,884,381**	**8,544,596**
Net Assets:		
Unrestricted	17,741,655	13,957,159
Temporarily restricted	-	140,000
Total net assets	**17,741,655**	**14,097,159**
Total Liabilities and Net Assets	**$ 23,626,036**	**$ 22,641,755**

See accompanying notes to the consolidated financial statements and independent auditors' report.

EDESIA, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF ACTIVITIES
Year Ended December 31, 2017
(With Comparative Totals for the Year Ended December 31, 2016)

	2017	2016
Change in Unrestricted Net Assets:		
Revenue and support:		
Program income:		
Product sales	$ 36,680,256	$ 18,462,977
Federal grants	1,677,620	2,903,079
Total program income	**38,357,876**	**21,366,056**
Cost of sales	(31,284,945)	(18,293,785)
Net program income	**7,072,931**	**3,072,271**
Contributions	1,607,574	1,542,293
Contributed services	10,266	179,690
Other revenue	10,437	20,837
Net assets released from restrictions	140,000	3,525
Total net revenue and support	**8,841,208**	**4,818,616**
Expenses:		
Program expenses	2,063,955	1,125,280
General and administrative expenses	2,683,876	2,978,055
Interest expenses	157,276	113,010
Fundraising expenses	151,605	442,755
Total expenses	**5,056,712**	**4,659,100**
Change in unrestricted net assets	**3,784,496**	**159,516**
Change in Temporarily Restricted Net Assets		
Contributions	-	140,000
Net assets released from restrictions	(140,000)	(3,525)
Change in temporarily restricted net assets	**(140,000)**	**136,475**
Change in Net Assets	**3,644,496**	**295,991**
Net Assets, beginning of year	**14,097,159**	**13,801,168**
Net Assets, end of year	**$ 17,741,655**	**$ 14,097,159**

See accompanying notes to the consolidated financial statements and independent auditors' report.

EDESIA, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
Year Ended December 31, 2017
(With Comparative Totals for the Year Ended December 31, 2016)

	2017	2016
Cash Flows from Operating Activities:		
Change in net assets	$ 3,644,496	$ 295,991
Adjustments to reconcile change in unrestricted net assets to net cash provided by operating activities:		
Depreciation	2,118,260	1,273,409
Loss on disposal of property and equipment	-	2,262
Changes in operating assets and liabilities:		
Grants and contracts receivable	1,571	(570,738)
Inventory	1,070,511	(2,082,479)
Prepaid expenses	(84,839)	(117,921)
Security deposits	63	23,756
Accounts payable and accrued expenses	(629,685)	956,771
Royalties payable	46,360	(22,243)
Deferred revenue	(630,813)	558,390
Net cash provided by operating activities	**5,535,924**	**317,198**
Cash Flows from Investing Activities:		
Purchase of property and equipment	(1,592,020)	(3,326,676)
Purchase of construction in progress	(43,698)	(898,252)
Net cash used by investing activities	**(1,635,718)**	**(4,224,928)**
Cash Flows from Financing Activities:		
Advances on line of credit	3,000,000	1,500,000
Payments on line of credit	(4,500,000)	-
Advances on equipment loan payable	592,372	173,601
Payments on equipment loan payable	(482,849)	(235,002)
Payments on capital lease obligations	(55,600)	(52,859)
Net cash provided (used) by financing activities	**(1,446,077)**	**1,385,740**
Net Increase (Decrease) in Cash and Cash Equivalents	**2,454,129**	**(2,521,990)**
Cash and Cash Equivalents, beginning of year	**881,434**	**3,403,424**
Cash and Cash Equivalents, end of year	**$ 3,335,563**	**$ 881,434**
Supplemental Data:		
Cash paid for interest	$ 157,276	$ 113,010

See accompanying notes to the consolidated financial statements and independent auditors' report.

1. Nature of Operations

Edesia, Inc. (Edesia), a Delaware not-for-profit corporation, together with its wholly-owned subsidiaries Edesia Industries, LLC and Edesia Enterprises, LLC (the Subsidiaries) (collectively, the Organization) was formed on June 13, 2007. The Organization's charitable mission is to help treat and prevent malnutrition in the world's most vulnerable populations.

The Organization is dedicated to making its range of ready-to-use therapeutic and supplementary foods readily available to those who need it most – primarily children under the age of five in developing countries living through conflict, natural disaster, disease outbreak, and drought. The highly portable and shelf-stable foods are primarily distributed by large humanitarian agencies and their partners in the context of highly organized health and nutrition programs. Since its inception in 2010, the Organization has produced and shipped enough food to help nearly 5.5 million children in 50 countries throughout Africa, Asia, the Middle East, and Latin America.

The Organization also participates in research and development activities to optimize the use of ready-to-use foods (RUFs), lends technical and procurement support to local RUF producers in the developing world when needed in countries such as Ethiopia, Sudan, Burkina Faso, Madagascar, Haiti, Niger, and engages in public education and advocacy efforts to help raise awareness about malnutrition as a public health crisis.

2. Summary of Significant Accounting Policies

This summary of significant accounting policies is presented to assist the reader in understanding the Organization's consolidated financial statements. The consolidated financial statements and notes are representations of the Organization's management, who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the consolidated financial statements.

Principles of Consolidation

Edesia and its Subsidiaries are controlled by substantially the same Board of Directors (the Board) and, therefore, have met the criteria to report their financial position and activities in the form of consolidated financial statements. The consolidated financial statements include all assets and liabilities of the respective entities. Intercompany transactions have been eliminated so as not to overstate the consolidated change in net assets and financial position.

Basis of Presentation
The Organization prepares its consolidated financial statements on the accrual basis of accounting and, in accordance with authoritative guidance, reports 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.

The Organization had no temporality or permanently restricted net assets as of December 31, 2017.

Cash and Cash Equivalents
The Organization considers all cash balances and highly liquid investments with maturities of three months or less to be cash equivalents.

Grants and Contracts Receivable
The Organization carries its grants and contracts receivable at net realizable value. On a periodic basis, the Organization evaluates its receivables and establishes an allowance for doubtful accounts based on a history of past bad debt expense and collections and current credit conditions.

A receivable is considered past due if payment has not been received within stated terms. Once all practical resources to collect the receivable have been utilized without success, the receivable is deemed uncollectable and charged against the allowance. At year end, management has determined that no allowance for doubtful accounts is deemed necessary.

Inventory
Inventory is valued at the lower of cost or net realizable value, after provision for excess or obsolete items. Cost is determined by the first-in, first-out (FIFO) method. The valuation of finished goods includes the cost of materials, labor, and production.

The Organization's products include the following:

Plumpy'Nut/USAID (RUTF) is specifically designed for the treatment of severe acute malnutrition. It is suitable for ages six months and older.

Plumpy'Sup/USAID (RUSF) is a ready-to-use supplementary food used to address moderate acute malnutrition. It is a high-energy nutritional food supplement, suitable for ages six months to five years.

Lipid-based Nutrient Supplement - Medium Quality (LNS-MQ) is a supplementary food for children six months of age and older who are at risk of acute malnutrition during times of food insecurity. It provides essential nutrients necessary to avoid malnutrition in children whose diets (lacking diversity) are also not meeting their calorie and protein needs.

Enov'Nutributter is a preventative lipid-based nutrient supplement specially designed for young children (six to twenty-four months) to help fill nutrient gaps.

Plumpy'Mum (RUSF) is designed to treat malnutrition in pregnant and lactating women. It provides appropriate micronutrients and a balance of protein and energy to help fill micro and macro-nutrient gaps.

Enov'Mum is a preventative lipid-based nutrient supplement specially designed to prevent malnutrition in pregnant and lactating women and to help fill nutrient gaps.

Little Nut is a protein-rich blend of peanuts, coconut and bananas for babies and toddlers.

Property and Equipment

All expenditures for property and equipment in excess of $5,000 are capitalized at cost. Depreciation is provided on a straight-line basis over the estimated useful lives of the related assets ranging from three to five years.

Deferred Revenue

From time to time during the year, the Organization may receive reimbursement funds in advance of production. These advanced funds are recorded in the accounting records as deferred revenue until such time that the Organization incurs expenditures related to the specific program for which the funds have been received.

Revenue and Support Recognition

Product Sales - The Organization recognizes product sales upon shipment for all customers with the exception of products produced under the United States Agency for International Development (USAID) federal grant. Fees charged to customers for shipping and handling are recorded in product sales.

Federal Grants - The Organization recognizes cost reimbursement contract revenue as expenditures are incurred. The Organization recognizes fee for service contract revenue when contractual obligations have been met.

Contributions - The Organization recognizes contributions in the fiscal year in which the contribution is made. Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted depending on the existence and/or nature of any donor imposed restrictions. However, it is the policy of the Organization to recognize temporarily restricted contributions that are both received and expended during the current fiscal year as unrestricted contributions.

***Contributed Services* -** Contributions of services that create or enhance non-financial assets, require specialized skills provided by individuals possessing those skills, which would typically need to be purchased if not donated, are recorded at their fair values in the period received.

Accounting principles generally accepted in the United States of America state that certain contributed services are not eligible for recording in the financial statements. Accordingly, the value of these services have not been recognized in the accompanying financial statements

Shipping and Handling Costs
Shipping and handling costs are included in cost of sales.

Allocation of Expenses
Certain costs of the Organization benefit more than one function. Accordingly, these costs have been allocated in a systematic and rational manner among the functions benefited.

Income Taxes
The Organization is exempt from income taxes as a public charity under Section 501(c)(3) of the Internal Revenue Code. Management believes that the Organization operates in a manner consistent with their tax-exempt status at both the state and federal levels.

The Organization annually files IRS Form 990 - *Return of Organization Exempt from Income Tax*, reporting various information that the IRS uses to monitor the activities of tax-exempt entities. These tax returns are subject to review by the taxing authorities generally for three years after they were filed. The Organization currently has no tax examinations in progress.

Estimates and Assumptions
The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Recent Accounting Pronouncements

The following is a summary of recent authoritative pronouncements that could impact the accounting, reporting, and/or disclosure of financial information by the Organization.

In August 2015, the Financial Accounting Standards Board (FASB) issued ASU 2015-14, *Revenue from Contracts with Customers*, which is effective for annual periods beginning after December 15, 2018. The standard requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This ASU will replace most existing revenue recognition guidance in accounting principles generally accepted in in the United States of America. This standard will be effective for the Organization's year ending December 31, 2019, with early adoption permitted.

In February 2016, the FASB issued ASU 2016-02, *Leases*, which is effective for annual periods beginning after December 15, 2019. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the statement of financial position at the date of lease commencement. Leases will be classified as either financing or operating. This distinction will be relevant for the pattern of expense recognition in the statement of activities. This standard will be effective for the Organization's year ending December 31, 2020, with early adoption permitted.

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The standard is intended to simplify and improve how a not-for-profit organization classifies its net assets, as well as the information it presents in the financial statements and notes about its liquidity, financial performance, and cash flows. Upon adoption, net assets will be reduced to two classes (with and without donor restriction). The standard is effective for annual periods beginning after December 15, 2017, with early adoption permitted, and will be applied retrospectively to all periods presented upon adoption. This standard will be effective for the Organization's year ending December 31, 2018, with early adoption permitted.

Subsequent Events

Management has evaluated subsequent events through April 27, 2018, which is the date these consolidated financial statements were available to be issued.

3. Inventory

Inventory consisted of the following:

Raw materials	$	2,679,320
Finished goods		1,551,418
Total inventory	$	4,230,738

Cost of sales consisted of the following:

Beginning inventory	$ 5,301,249
Purchases	23,149,245
Production labor and benefits	3,167,922
Royalties	692,961
Storage and handling fees	464,900
Occupancy and related fees	1,241,354
Freight out	357,104
Product testing	929,715
Other production costs	211,233
Cost of goods available for sale	35,515,683
Less ending inventory	(4,230,738)
Cost of sales	$ 31,284,945

4. Property and Equipment

Property and equipment consisted of the following:

Equipment:	
Information technology	$ 880,809
Production	13,837,962
Furniture and fixtures	192,331
Leasehold improvements	220,420
Total property and equipment	$ 15,131,522

5. Construction in Progress

Construction in progress consists of various warehouse equipment and staging in the amount of $43,698.

6. Debt

Line of Credit

The Organization has a $2,500,000 line-of-credit agreement with a local financial institution, due and payable on demand. The line of credit bears interest at the 30-day LIBOR (1.56% at December 31, 2017) plus 1.50% and is secured by a first security lien position in all tangible and intangible business assets. At year end, there was no outstanding balance on this line of credit.

Equipment Loans Payable

The Organization also had a $3,500,000 line-of-credit agreement with the same local financial institution, which converted into an equipment loan payable in June 2016 and expiring June 30, 2023. The loan is payable in monthly installments of $49,037, including interest at 3.45%. The equipment loan payable is secured by a first security lien position in all tangible and intangible business assets. At year end, there was a balance of the equipment loan was $2,782,149.

The Organization also had a $750,000 line-of-credit agreement with the same local financial institution, which converted into an equipment loan payable in April 2018 and expiring November 17, 2022. The loan is payable in monthly installments of $10,927, including interest at 4.01%. The equipment loan payable is secured by a first security lien position in all tangible and intangible business assets. At year end, the balance of the equipment loan was $592,372.

The scheduled maturities are as follows:

Year Ending		
December 31, 2018	$	581,651
December 31, 2019		630,320
December 31, 2020		653,086
December 31, 2021		676,767
December 31, 2022		733,955
Thereafter		98,742
Total	$	3,374,521

In addition, the above agreements contains various financial covenants and restrictions. At December 31, 2017, management believes the Organization was in compliance with their covenants.

7. Contributed Services

In addition to direct financial support, the Organization is supported by the community in many ways. Donated professional services of $10,266 were provided to the Organization during the year ended December 31, 2017 and are included in contributed services in the accompanying consolidated statement of activities at the services estimated fair value.

8. Pension Plan

The Organization has established a defined contribution retirement plan under Section 403(b) of the Internal Revenue Code. Employer contributions are made on behalf of eligible employees in the amount of 4% of their annual wages. In addition, the Organization contributes a matching contribution of 4% of wages contributed by the employee. Pension plan expense for the year ended December 31, 2017 was approximately $111,300.

The Organization has also established an employee-funded tax-deferred annuity plan under Section 403(b) of the Internal Revenue Code. All employees who meet the eligibility requirements of the plan may elect to contribute to the plan through a salary reduction.

9. Commitments and Contingencies

License Agreement and Royalties Payable

In November 2017, the Organization entered into an Industrial Property License Agreement (the Agreement) with Nutriset. The license is an exclusive, royalty free, fully paid-up license under the Industrial Property rights to use the products throughout the territory, as defined. The Agreement has an initial term of five years ending November 2022, and automatically renews for successive renewal terms of one year until either party desires not to renew with six months written notice prior to the end of the renewal term.

Effective November 15, 2017, the Organization pays a royalty fee of 1.0% of net sales of Branded Products sold to the U.S. Government and 1.5% for Branded Products sold to any third party other than the U.S. Government, plus $200,000. During the year ended December 31, 2017, the Organization paid royalty fee expenses of approximately $693,000, which is included in cost of sales in the consolidated statement of activities.

Capital Lease Obligation

The Organization acquired certain equipment under capital lease agreements, which expire at various dates through April 2021.

The related cost and accumulated depreciation was as follows:

Cost	$	295,582
Less accumulated depreciation		103,454
Net book value	$	192,128

The future minimum lease payments under these agreements are as follows:

Year Ending		
December 31, 2018	$	66,355
December 31, 2019		66,355
December 31, 2020		66,355
December 31, 2021		1,910
Total future minimum lease payments		200,975
Less amount representing interest		13,852
Total capital lease obligations		187,123
Less current portion of capital lease obligations		58,906
Capital lease obligations, less current portion	$	128,217

Operating Lease Agreement

In April 2016, the Organization entered into a 25-year sublease agreement for facilities with a related party (note 11) and land with the prime landlord. The sublease provides for four additional extensions of 10 years each, which have not been exercised. The sublease requires minimum monthly payments to the related party of $41,667 and $7,355 to the prime landlord. Rent expense related to this agreement for the year ended December 31, 2017 was approximately $500,000 paid to the related party and approximately $88,300 paid to the prime landlord.

The approximate future minimum lease payments under these agreements are as follows:

Year Ending	
December 31, 2018	$ 590,900
December 31, 2019	593,500
December 31, 2020	596,100
December 31, 2021	598,700
December 31, 2022	601,300
Thereafter	11,899,400
Total	$ 14,879,900

10. Concentrations of Credit and Business Risk

The financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents, and grants and contracts receivable.

The Organization maintains its operating accounts in one financial institution. The balances are insured by the Federal Deposit Insurance Corporation up to specified limits. From time to time, the Organization had bank balances in excess of federally insured limits. The Organization monitors its exposure with regard to cash and cash equivalents and has not experienced losses on such accounts. Management does not believe that there is a significant credit risk at year end.

At December 31, 2017, approximately $6,529,600 or 96% of the Organization's outstanding receivables were due from four funding sources and/or customers. At year end, management has performed an analysis of those receivables and does not believe that there is a significant credit risk related to those receivables.

For the year ended December 31, 2017, product sales represented approximately 91% of total revenues and other support. Of this amount, approximately 94% is generated from four customers. At year end, management does not believe that significant business risk exists with respect to the continuation of business with these customers.

11. Related Party Transactions

The Organization leases land and facilities from an entity that is owned by the Founder and President of the Board (see note 9). As of September 15, 2017 the Founder sold half of the land and facilitates to Nutriset (see note 9). Rent expense for the year ended December 31, 2017 was approximately $500,000.

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Edesia, Inc.

Reports Required by
Government Auditing Standards –
Title 2 U.S. *Code of Federal Regulations*
Part 200 – *Uniform Administration*
Requirements, Cost Principles,
and Audit Requirements for Federal Awards

Year Ended December 31, 2017

EDESIA, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2017

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Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Award Number	Total Federal Expenditures	Subrecipient
United States Agency for International Development				
Direct Funding				
Food for Peace Emergency Program	98.008	AID-FFP-G-15-00045	$ 700,071	$ -
		AID-FFP-G-15-00047	977,549	-
			$ 1,677,620	$ -

See accompanying notes to the schedule of expenditures of federal awards.

EDESIA, INC.
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2017

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Edesia, Inc. (Edesia) under programs of the federal government for the year ended December 31, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Edesia, it is not intended to and does not present the financial position, changes in net assets or cash flows of Edesia.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. Indirect Cost Rate

The Organization does not have a federally approved negotiated indirect cost rate agreement and, therefore, is subject to the 10-percent de minimums indirect cost rate under the Uniform Guidance.

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors of
Edesia, Inc.:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Edesia, Inc. (Edesia) (a non-profit organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 27, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Edesia's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Edesia's internal control. Accordingly, we do not express an opinion on the effectiveness of Edesia's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of Edesia's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*, (Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Edesia's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Edesia's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Edesia's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Kahn, Litwin, Renza & Co., Ltd.

April 27, 2018

Kahn, Litwin, Renza & Co., Ltd.
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and Business Consultants

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors of
Edesia, Inc.:

Report on Compliance for Each Major Federal Program

We have audited Edesia, Inc. (Edesia) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Edesia's major federal programs for the year ended December 31, 2017. Edesia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility
Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility
Our responsibility is to express an opinion on compliance for each of Edesia's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirement of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Edesia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on Edesia's compliance.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE *UNIFORM GUIDANCE*, (Continued)

Opinion on Each Major Federal Program

In our opinion, Edesia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2017.

Report on Internal Control over Compliance

Management of Edesia is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Edesia's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Edesia's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Kahn, Litwin, Renza & Co., Ltd.

April 27, 2018

EDESIA, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2017

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements:

Type of auditors' report issued: *unmodified*

Internal control over financial reporting:

- Material weaknesses identified? _____ yes __X__ none reported
- Significant deficiencies identified that are not considered to be material weaknesses? _____ yes __X__ none reported
- Noncompliance material to financial statements noted? _____ yes __X__ none reported

Federal Awards:

Internal control over major programs:

- Material weaknesses identified? _____ yes __X__ none reported
- Significant deficiencies identified that are not considered to be material weaknesses? _____ yes __X__ none reported

Type of auditors' report issued on compliance for major programs: *unmodified*

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)? _____ yes __X__ no

Identification of major program:

CFDA Number	*Name of Federal Program*
98.008	Food for Peace Emergency Program

Dollar threshold used to distinguish between type A and type B programs: $ 750,000

Auditee qualified as low-risk auditee __X__ yes _____ no

SECTION II - FINANCIAL STATEMENT FINDINGS

CURRENT YEAR FINDINGS: None noted.

PRIOR YEAR FINDINGS: None noted.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

CURRENT YEAR FINDINGS: None noted.

PRIOR YEAR FINDINGS: None noted.