EDESIA, INC. AND SUBSIDIARIES

Consolidated Financial Statements
and Supplementary Information

Year Ended December 31, 2019

(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, 2019

Kahn, Litwin, Renza & Co., Ltd.
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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. and Subsidiaries (collectively, the Organization), which comprise the consolidated statement of financial position as of December 31, 2019, and the related consolidated statements of activities, functional expenses 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 from 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, 2019, and the changes in their net assets and their 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, 2018 consolidated financial statements, and we expressed an unmodified opinion on those audited consolidated financial statements in our report dated April 24, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Supplementary Information

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 29, 2020 on our consideration of the Organization'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 29, 2020

EDESIA, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
December 31, 2019
(With Comparative Totals at December 31, 2018)

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	2019	2018
Assets		
Current Assets:		
Cash and cash equivalents	$ 8,378,704	$ 4,397,073
Grants and contracts receivable	10,387,929	4,282,770
Inventory	8,311,333	9,498,879
Prepaid expenses and other	500,089	375,228
Total current assets	**27,578,055**	**18,553,950**
Property and Equipment, net	6,125,733	7,332,010
Security Deposits	11,845	11,845
Total Assets	**$ 33,715,633**	**$ 25,897,805**
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable and accrued expenses	$ 2,332,513	$ 2,447,173
Royalties payable	633,744	333,372
Equipment loans payable, current portion	840,134	630,320
Capital lease obligations, current portion	64,625	61,699
Total current liabilities	**3,871,016**	**3,472,564**
Equipment Loans Payable, less current portion and unamortized debt issuance costs	1,529,033	2,162,917
Capital Lease Obligations, less current portion	1,893	66,518
Total liabilities	**5,401,942**	**5,701,999**
Net Assets:		
Without donor restrictions	28,298,691	20,195,806
With donor restrictions	15,000	-
Total net assets	**28,313,691**	**20,195,806**
Total Liabilities and Net Assets	**$ 33,715,633**	**$ 25,897,805**

EDESIA, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF ACTIVITIES
Year Ended December 31, 2019
(With Comparative Totals for the Year Ended December 31, 2018)

	2019	2018
Change in Net Assets without Donor Restrictions:		
Revenue and support:		
Program income:		
Product sales	$ 56,193,816	$ 34,755,141
Federal grants	3,094,205	1,777,964
Total program income	**59,288,021**	**36,533,105**
Cost of sales	(48,602,917)	(30,832,140)
Net program income	**10,685,104**	**5,700,965**
Contributions	4,301,913	2,923,702
Other revenue	146,002	23,340
Total net revenue and support	**15,133,019**	**8,648,007**
Expenses:		
Program expenses	5,077,536	4,337,551
General and administrative expenses	1,386,327	1,455,660
Fundraising expenses	566,271	400,645
Total expenses	**7,030,134**	**6,193,856**
Change in net assets without donor restrictions	**8,102,885**	**2,454,151**
Change in Net Assets with Donor Restrictions:		
Contributions	15,000	-
Change in net assets with donor restrictions	**15,000**	**-**
Change in Net Assets	**8,117,885**	**2,454,151**
Net Assets, beginning of year	**20,195,806**	**17,741,655**
Net Assets, end of year	**$ 28,313,691**	**$ 20,195,806**

EDESIA, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2019
(With Comparative Totals for the Year Ended December 31, 2018)

	2019						2018
	Cost of Sales	**Program Expenses**	**Total Program**	**General and Administrative**	**Fundraising Expenses**	**Total**	**Total**
Salaries and wages	$ 3,849,977	$ 1,328,742	$ 5,178,719	$ 328,009	$ 181,887	$ 5,688,615	$ 4,397,787
Payroll taxes	410,096	106,628	516,724	25,993	7,146	549,863	394,298
Employee benefits	539,348	185,258	724,606	46,314	-	770,920	570,849
Depreciation	-	2,426,820	2,426,820	210,470	-	2,637,290	2,456,757
Freight out	534,877	-	534,877	-	-	534,877	609,542
Information technology	-	215,202	215,202	55,148	-	270,350	238,311
Insurance	-	137,094	137,094	38,790	-	175,884	138,711
Interest	-	75,550	75,550	1,040	-	76,590	119,803
Maintenance	697,589	-	697,589	-	-	697,589	491,990
Media and communications	-	188,314	188,314	-	193,376	381,690	275,198
Occupancy and related fees	789,952	-	789,952	204,137	-	994,089	993,032
Office expense	-	162,919	162,919	39,311	21,126	223,356	192,609
Other production costs	238,526	-	238,526	-	-	238,526	284,829
Product testing	926,927	17,023	943,950	-	-	943,950	1,003,014
Professional fees	-	165,314	165,314	302,517	162,736	630,567	557,122
Raw materials	38,738,983	-	38,738,983	-	-	38,738,983	22,761,558
Royalties	852,824	-	852,824	-	-	852,824	651,464
Staff training and development	-	47,578	47,578	41,466	-	89,044	59,352
Storage and handling fees	1,023,818	-	1,023,818	-	-	1,023,818	713,157
Travel and related	-	21,094	21,094	93,132	-	114,226	116,613
Total expenses	**$ 48,602,917**	**$ 5,077,536**	**$ 53,680,453**	**$ 1,386,327**	**$ 566,271**	**$ 55,633,051**	**$ 37,025,996**
Total expenses excluding, cost of sales						**$ 7,030,134**	**$ 6,193,856**

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EDESIA, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
Year Ended December 31, 2019
(With Comparative Totals for the Year Ended December 31, 2018)

	2019	2018
Cash Flows from Operating Activities:		
Receipts:		
Product sales	$ 50,088,657	$ 37,636,742
Federal grants	3,060,885	1,820,571
Contributions	4,316,913	2,923,702
Other revenue	146,002	23,340
Total receipts	**57,612,457**	**42,404,355**
Payments:		
Salaries and wages	(5,706,620)	(4,306,445)
Benefits and related	(1,409,827)	(1,024,499)
Raw materials	(37,614,772)	(27,656,002)
Other production costs	(3,293,623)	(3,311,844)
Other operating costs	(1,745,050)	(1,456,487)
Occupancy and maintenance	(1,691,678)	(1,485,022)
Insurance	(175,884)	(138,711)
Interest	(76,590)	(119,803)
Total expenditures	**(51,714,044)**	**(39,498,813)**
Net cash provided by operating activities	**5,898,413**	**2,905,542**
Cash Flows from Investing Activities:		
Purchase of property and equipment	(1,431,013)	(1,203,842)
Net cash used by investing activities	**(1,431,013)**	**(1,203,842)**
Cash Flows from Financing Activities:		
Advances on equipment loan payable	2,586,000	-
Payments on equipment loan payable	(2,997,594)	(581,284)
Payments of debt issuance costs	(12,476)	-
Payments on capital lease obligations	(61,699)	(58,906)
Net cash used by financing activities	**(485,769)**	**(640,190)**
Net Increase in Cash and Cash Equivalents	**3,981,631**	**1,061,510**
Cash and Cash Equivalents, beginning of year	**4,397,073**	**3,335,563**
Cash and Cash Equivalents, end of year	**$ 8,378,704**	**$ 4,397,073**
Supplemental Data:		
Cash paid for interest	$ 76,590	$ 119,803

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 it began production in 2010, the Organization has produced and shipped enough food to help nearly 11 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, and 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.

Accounting Pronouncements Adopted
Effective January 1, 2019, the Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (ASU 2014-09), which replaces most existing revenue recognition guidance in accounting principles generally accepted in the United States of America, using the modified retrospective method. The adoption of ASU 2014-09 did not have a significant effect on the Organization's 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.

Summarized Financial Information
The accompanying consolidated financial statements include certain prior year summarized comparative information in total, without accompanying note disclosures. Such information does not include sufficient detail to constitute a presentation in accordance with accounting principles generally accepted in the United States of America due to the lack of a comparative statement of functional expenses and note disclosures. Accordingly, such information should be read in conjunction with the Organization’s consolidated financial statements and related notes to the consolidated financial statements for the year ended December 31, 2018 from which the summarized information was derived.

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 two classes of net assets: net assets without donor restrictions, and net assets with donor restrictions.

Net Assets without Donor Restrictions
Net assets without donor restrictions are available for use at the discretion of the Board and/or management for general operating purposes.

Net Assets with Donor Restrictions
Net assets with donor restrictions consist of assets whose use is limited by donor-imposed, time and/or purpose restrictions. Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction is satisfied, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the consolidated statement of activities.

Cash and Cash Equivalents
The Organization considers all cash balances and highly liquid investments with original 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 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.

Plumpy'Doz, 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 (6 to 24 months) to help fill nutrient gaps with the aim of promoting growth and development and preventing stunting in the first 1,000 days of life.

Nutri'School - Liquid-based Nutrient Supplement is designed for school-age children (three plus years) to help fill nutrient gaps with the aim of promoting healthy growth and development.

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 with the aim of having a positive effect on maternal status and birth outcomes, and improving child growth in the first 1,000 days of life.

Mewe is a purpose-driven nut butter for all ages and stages of life.

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.

Debt Issuance Costs
The Organization incurred costs to acquire long-term debt (Note 6). These costs are amortized to interest expense on a straight-line basis over the term of the related debt. The Organization will incur future amortization of $4,159 per year through the year ended December 31, 2021, and $3,118 for the year ended December 31, 2022.

In accordance with authoritative guidance, debt issuance costs related to a debt liability are presented on the statement of financial position as a direct deduction from the carrying amount of that liability.

Revenue and Support Recognition

Product Sales - The Organization recognizes revenue from product sales when it satisfies its performance obligation and by transferring control over the product to the customer, being at the point in time which occurs upon shipment for all customers, with the exception of products produced under the United States Agency for International Development (USAID) federal grants, as noted below. Fees charged to customers for shipping and handling are recorded in product sales. Product sales and services both directly to customers and through distributors generally under agreements with payment terms typically are due upon receipt of products and in most cases not exceeding 30 days.

Federal Grants - The Organization recognizes cost reimbursement contract revenue over time as expenditures are incurred.

Contributions - The Organization recognizes contributions in the fiscal year in which the contribution is made. Contributions are recorded as with or without restrictions depending on the existence and/or nature of any donor-imposed restrictions. However, it is the policy of the Organization to recognize contributions with donor restrictions that are both received and expended during the current fiscal year as contributions without restrictions.

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 consolidated financial statements. Accordingly, the value of these services has not been recognized in the accompanying consolidated financial statements.

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

Allocation of Expenses
The consolidated financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include compensation and benefits, which are allocated on the basis of estimates of time and effort, as well as depreciation and amortization and occupancy, which are allocated on a square footage basis.

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 a period of 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 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, 2021, with early adoption permitted.

Subsequent Events

Management has evaluated subsequent events through April 29, 2020, which is the date these consolidated financial statements were available to be issued.

3. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated statement of financial position date, comprise the following at December 31, 2019:

Cash and cash equivalents	$ 8,378,704
Grants and contract receivables	10,387,929
Financial assets	18,766,633
Less those unavailable for general expenditure within one year due to:	
Time and purpose restrictions	15,000
Financial assets available to meet general expenditure needs within one year	$ 18,751,633

The Organization has a goal to maintain cash and short-term investments on hand to meet 60 days of normal operating expenses, which are, on average, approximately $9,150,000. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. As part of its liquidity plan, excess cash is invested in money market accounts. As described in Note 6, the Organization also has a $3,000,000 line of credit, which it could draw upon in the event of an anticipated liquidity need.

4. Inventory

Inventory consisted of the following:

Raw materials	$ 5,157,632
Finished goods	3,153,701
Total inventory	$ 8,311,333

Cost of sales consisted of the following:

Beginning inventory	$ 9,498,879
Purchases	37,551,437
Production labor and benefits	4,799,421
Royalties	852,824
Storage and handling fees	1,023,818
Occupancy and related fees	1,487,541
Freight out	534,877
Product testing	926,927
Other production costs	238,526
Cost of goods available for sale	56,914,250
Less ending inventory	(8,311,333)
Cost of sales	$ 48,602,917

5. Property and Equipment

Property and equipment consisted of the following:

Equipment:	
Information technology	$ 1,089,117
Production	16,036,476
Furniture and fixtures	207,826
Leasehold improvements	476,656
	17,810,075
Less accumulated depreciation	11,684,342
Total property and equipment, net	$ 6,125,733

6. Debt

Line of Credit

The Organization had a $2,500,000 line-of-credit agreement with a local financial institution, due and payable on demand. The line of credit bore interest at the 30-day LIBOR (1.762% at December 31, 2019) plus 1.50%. During September 2019, the Organization closed this line-of-credit.

In September 2019, the Organization entered into a $3,000,000 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 (1.762% at December 31, 2019) plus 1.40%. At year-end, there was no outstanding balance on this line of credit.

Equipment Loans Payable

The Organization had an equipment loan payable expiring February 28, 2023. The loan was payable in monthly installments of $49,037, including interest at 3.45%. During May 2019, the Organization fully repaid the outstanding balance of the loan.

The Organization also had a $750,000 equipment loan payable with an original maturity of November 17, 2022. The loan was payable in monthly installments of $10,927, including interest at 4.01%. During June 2019, the Organization fully repaid the outstanding balance of the loan.

During September 2019, the Organization entered into an equipment loan payable expiring September 11, 2022. The loan is payable in monthly installments of $75,638, including interest at 3.38%.

The agreements are secured by a first security lien position in all tangible and intangible business assets. In addition, the above agreements contain various financial covenants and restrictions. At December 31, 2019, management believes the Organization was in compliance with their covenants.

A summary of the equipment loans is as follows:

Year Ending	
Equipment loans payable	$ 2,380,603
Less:	
Current portion	840,134
Unamortized debt issuance costs	11,436
Equipment loans	$ 1,529,033

The scheduled maturities are as follows:

Year Ending	
December 31, 2020	$ 840,134
December 31, 2021	868,974
December 31, 2022	671,495
Total	$ 2,380,603

Capital Lease Obligation

Included in property and equipment is 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		221,687
Net book value	$	73,895

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

Year Ending		
December 31, 2020	$	66,355
December 31, 2021		1,910
Total future minimum lease payments		68,265
Less amount representing interest		1,747
Total capital lease obligations		66,518
Less current portion of capital lease obligations		64,625
Capital lease obligations, less current portion	$	1,893

7. Commitments and Contingencies

Retirement Plans

The Organization has established a defined contribution retirement plan under Section 403(b) of the Internal Revenue Code. Employer matching contributions are made on behalf of eligible employees in the amount of up to 4% of wages contributed by the employee. Retirement plan expense for the year ended December 31, 2019 was approximately $192,000, and is included in employee benefits in the consolidated statement of functional expenses.

License Agreement and Royalties Payable

The Organization maintains an Industrial Property License Agreement (the Agreement) with Nutriset. Nutriset is the French manufacturer and trademark owner of Plumpy'nut, the peanut-based food for use in famine relief. 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.

The Organization pays a royalty fee of 1.0% of net sales for 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, 2019, the Organization paid royalty fee expenses of approximately $852,800.

Operating Lease Agreement

In April 2016, the Organization entered into a 25-year sublease agreement for facilities with a related party (Note 9) 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 of $41,667 to the related party and $7,573 to the prime landlord. Rent expense related to this agreement for the year ended December 31, 2019 was approximately $500,000 and approximately $90,900 paid to the prime landlord.

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

Year Ending	
December 31, 2020	$ 596,100
December 31, 2021	598,700
December 31, 2022	601,300
December 31, 2023	603,900
December 31, 2024	606,500
Thereafter	10,689,100
Total	$ 13,695,600

8. 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 two financial institutions. The balance in each institution is insured by the Federal Deposit Insurance Corporation up to $250,000. From time to time, the Organization’s cash balances may exceed this limit. Cash balances in excess of $250,000 are generally uninsured.

At December 31, 2019, approximately $9,213,000 or 89% of the Organization's outstanding receivables were due from two 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, 2019, product sales represented approximately 88% of total revenues and other support. Of this amount, approximately 87% is generated from three customers. At year end, management does not believe that significant business risk exists with respect to the continuation of business with these customers.

The Organization purchased raw materials from one vendor accounting for approximately $5,006,000 or 11% of purchases during the year ended December 31, 2019. At year end, management does not believe that significant business risk exists with respect to the continuation of business with this vendor.

9. Related Party Transactions

The Organization leases land and facilities from an entity that is owned equally between the founder of the Organization and President of the Board and Nutriset (see Note 7). Amounts paid to the related entity for the year ended December 31, 2019 was approximately $583,000.

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Edesia, Inc. and Subsidiaries

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

Year Ended December 31, 2019

EDESIA, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2019

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	$ 1,681,683	$ -
		AID-FFP-G-15-00047	1,412,522	-
			$ 3,094,205	$ -

See accompanying notes to the schedule of expenditures of federal awards and independent auditors' report.

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Edesia, Inc. and Subsidiaries (the Organization) under programs of the federal government for the year ended December 31, 2019. 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 the Organization, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Organization.

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 minimus indirect cost rate under the Uniform Guidance.

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Certified Public Accountants
and Business Consultants

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. and Subsidiaries:

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. and Subsidiaries (the Organization) (a non-profit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 29, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization'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 the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 the Organization'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 the Organization'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 the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Kahn, Litwin, Renza & Co., Ltd.

April 29, 2020

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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. and Subsidiaries:

Report on Compliance for Each Major Federal Program

We have audited Edesia, Inc. and Subsidiaries (the Organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Organization's major federal programs for the year ended December 31, 2019. The Organization's major federal program is 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 the Organization's major federal program 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 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). 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 as major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization'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 the Organization'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, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended December 31, 2019.

Report on Internal Control over Compliance

Management of the Organization 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 the Organization'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 the Organization'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 29, 2020

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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.