

**EDESIA, INC. AND SUBSIDIARIES**

**Consolidated Financial Statements  
and Supplementary Information**

**Year Ended December 31, 2022**

**(With Independent Auditors' Report Thereon)**









**EDESIA, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**December 31, 2022**  
**(With Comparative Totals at December 31, 2021)**



	<b>2022</b>	<b>2021</b>
<b>Assets</b>		
Current Assets:		
Cash and cash equivalents	\$ 10,119,785	\$ 5,593,479
Grants and contracts receivable	16,765,230	9,835,034
Inventory	13,182,250	14,843,147
Prepaid expenses and other	699,565	624,905
<b>Total current assets</b>	<b>40,766,830</b>	<b>30,896,565</b>
Investments	7,486,205	6,181,766
Right-of-use Assets - Operating Leases	9,570,791	-
Property and Equipment, net	6,469,502	5,123,338
Security Deposits	11,845	11,845
<b>Total Assets</b>	<b>\$ 64,305,173</b>	<b>\$ 42,213,514</b>
<b>Liabilities and Net Assets</b>		
Current Liabilities:		
Current portion of operating leases payable	\$ 423,160	\$ -
Accounts payable and accrued expenses	7,748,908	1,862,760
Deferred revenue	-	485,779
Royalties payable	343,897	228,416
Equipment loan payable, current portion	-	670,217
<b>Total current liabilities</b>	<b>8,515,965</b>	<b>3,247,172</b>
Operating leases payable, less current portion	9,178,054	-
<b>Total liabilities</b>	<b>17,694,019</b>	<b>3,247,172</b>
Net Assets:		
Without donor restrictions	46,611,154	38,966,342
<b>Total net assets</b>	<b>46,611,154</b>	<b>38,966,342</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 64,305,173</b>	<b>\$ 42,213,514</b>

**EDESIA, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**  
**Year Ended December 31, 2022**  
**(With Comparative Totals for the Year Ended December 31, 2021)**



	2022	2021
Change in Net Assets:		
Revenue and support:		
Program income:		
Product sales	\$ 74,392,667	\$ 54,541,435
Federal grants	3,436,879	3,015,158
<b>Total program income</b>	<b>77,829,546</b>	<b>57,556,593</b>
Cost of sales	(70,796,276)	(51,659,367)
<b>Net program income</b>	<b>7,033,270</b>	<b>5,897,226</b>
Contributions	6,736,320	4,800,502
Donated stock	750,000	101,295
PPP loan forgiveness	-	2,796,990
Investment income (loss)	(410,377)	218,275
Other revenue	59,013	45,016
<b>Total net revenue and support</b>	<b>14,168,226</b>	<b>13,859,304</b>
Expenses:		
Program expenses	4,610,611	4,379,833
General and administrative expenses	1,747,642	1,558,986
Fundraising expenses	165,161	135,432
<b>Total expenses</b>	<b>6,523,414</b>	<b>6,074,251</b>
<b>Change in Net Assets</b>	<b>7,644,812</b>	<b>7,785,053</b>
<b>Net Assets, beginning of year</b>	<b>38,966,342</b>	<b>31,181,289</b>
<b>Net Assets, end of year</b>	<b>\$ 46,611,154</b>	<b>\$ 38,966,342</b>

**EDESIA, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**Year Ended December 31, 2022**  
**(With Comparative Totals for the Year Ended December 31, 2021)**

	2022					2021	
	Cost of Sales	Program Expenses	Total Program	General and Administrative	Fundraising Expenses	Total	Total
Salaries and wages	\$ 5,193,872	\$ 1,849,778	\$ 7,043,650	\$ 462,445	\$ 137,069	\$ 7,643,164	\$ 6,465,041
Payroll taxes	475,722	168,164	643,886	42,041	10,537	696,464	556,949
Employee benefits	541,988	181,303	723,291	45,326	-	768,617	649,285
Depreciation	-	1,643,302	1,643,302	131,958	-	1,775,260	2,079,619
Freight out	1,583,627	-	1,583,627	-	-	1,583,627	613,223
Information technology	-	329,570	329,570	138,732	-	468,302	390,396
Insurance	-	224,752	224,752	56,188	-	280,940	252,968
Interest	-	12,579	12,579	13,925	-	26,504	43,473
Maintenance, occupancy and related fees	1,810,529	-	1,810,529	255,251	-	2,065,780	2,001,391
Media and communications	-	-	-	-	690	690	14,453
Office expense	-	131,618	131,618	32,321	16,865	180,804	181,821
Other production costs	338,217	-	338,217	-	-	338,217	384,626
Product testing	862,199	40,980	903,179	-	-	903,179	939,471
Professional fees	-	-	-	368,910	-	368,910	335,510
Raw materials	58,220,192	-	58,220,192	-	-	58,220,192	41,122,774
Royalties	425,000	-	425,000	-	-	425,000	846,378
Staff training and development	-	28,543	28,543	45,732	-	74,275	40,894
Storage and handling fees	1,344,930	-	1,344,930	-	-	1,344,930	789,155
Travel and related	-	22	22	154,813	-	154,835	26,191
<b>Total expenses</b>	<b>\$ 70,796,276</b>	<b>\$ 4,610,611</b>	<b>\$ 75,406,887</b>	<b>\$ 1,747,642</b>	<b>\$ 165,161</b>	<b>\$ 77,319,690</b>	<b>\$ 57,733,618</b>
<b>Total expenses excluding cost of sales</b>						<b>\$ 6,523,414</b>	<b>\$ 6,074,251</b>



**EDESIA, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**Year Ended December 31, 2022**  
**(With Comparative Totals for the Year Ended December 31, 2021)**

	<b>2022</b>	<b>2021</b>
Cash Flows from Operating Activities:		
Receipts:		
Product sales	\$ 67,462,471	\$ 46,911,946
Federal grants	2,951,100	3,491,650
Contributions	7,486,320	4,901,797
PPP loan forgiveness	-	2,796,990
Investment return	155,210	120,665
Other revenue	102,010	45,016
<b>Total receipts</b>	<b>78,157,111</b>	<b>58,268,064</b>
Payments:		
Salaries and wages	(7,627,808)	(6,418,771)
Benefits and related	(1,510,710)	(1,227,905)
Raw materials	(51,118,788)	(42,169,711)
Other production costs	(4,161,761)	(3,793,074)
Other operating costs	(1,248,201)	(1,056,215)
Occupancy and maintenance	(2,035,357)	(2,001,391)
Insurance	(280,940)	(252,968)
Interest	(26,504)	(43,473)
<b>Total expenditures</b>	<b>(68,010,069)</b>	<b>(56,963,508)</b>
<b>Net cash provided by operating activities</b>	<b>10,147,042</b>	<b>1,304,556</b>
Cash Flows from Investing Activities:		
Purchase of investments	(3,398,921)	(6,180,295)
Proceeds from sale of investments	1,528,895	96,139
Purchase of property and equipment	(3,084,493)	(2,318,917)
Proceeds on disposal of assets	4,000	-
<b>Net cash used by investing activities</b>	<b>(4,950,519)</b>	<b>(8,403,073)</b>
Cash Flows from Financing Activities:		
Payments on equipment loan payable	(670,217)	(864,195)
Payments on capital lease obligations	-	(1,893)
<b>Net cash used by financing activities</b>	<b>(670,217)</b>	<b>(866,088)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>4,526,306</b>	<b>(7,964,605)</b>
<b>Cash and Cash Equivalents, beginning of year</b>	<b>5,593,479</b>	<b>13,558,084</b>
<b>Cash and Cash Equivalents, end of year</b>	<b>\$ 10,119,785</b>	<b>\$ 5,593,479</b>
<b>Supplemental Data:</b>		
Cash paid for interest	\$ 26,504	\$ 43,473
Purchases of property and equipment payable	\$ 83,928	\$ -

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

**EDESIA, INC. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Year Ended December 31, 2022**

**1. Nature of Operations**

Edesia, Inc. (Edesia), a Delaware not-for-profit corporation, together with its 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 manufacturing 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 (i.e., USAID, UNICEF and WFP) 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 19 million children in over 62 countries throughout Africa, Asia, the Middle East, and Latin America. Edesia has also shipped its products to food banks and school lunch programs throughout the United States.

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 solvable 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 (U.S. GAAP) and have been consistently applied in the preparation of the consolidated financial statements.

***Recently Adopted Accounting Pronouncement***

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases*, to increase transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the consolidated statement of financial position. The most significant change in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to enable users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

**EDESIA, INC. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Year Ended December 31, 2022**

The Organization adopted the standard effective January 1, 2022. Lease disclosures for the year ended December 31, 2021, are made under prior lease guidance.

The Organization elected the available practical expedient to account for its existing operating leases under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

As a result of the adoption of the new lease accounting guidance, the Organization recognized on January 1, 2022 an operating lease liability of \$9,970,852, which represents the present value of the remaining operating lease payments of approximately \$12,050,700 discounted using the risk free rate of 2.01%, and a right-of-use asset of \$9,970,852, which represents the operating lease liability. The adoption of ASU 2016-02 did not have a significant impact on the Organization's results of operations or cash flows.

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires not-for-profit entities to present contributed nonfinancial assets as a separate line item in the consolidated statement of activities, apart from contributions of cash or other financial assets. The standard also increases the disclosure requirements around contributed nonfinancial assets, including disaggregating by category the types of contributed nonfinancial assets a nonprofit entity received. The Organization adopted ASU 2020-07 for the year ended December 31, 2022. The adoption of ASU 2020-07 did not have a significant effect on the Organization's consolidated financial statements.

***Principles of Consolidation***

The consolidated financial statements include all account balances and transactions of Edesia and its subsidiaries. Intercompany transactions have been eliminated so as not to overstate the consolidated change in net assets and financial position.

***Comparative Financial Information***

The accompanying consolidated financial statements include certain prior year summarized comparative information in total, without accompanying note disclosures and certain functional expense information. Such information does not include sufficient detail to constitute a presentation in accordance with U.S. GAAP. Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements and related notes for the year ended December 31, 2021, from which the summarized information was derived.

**EDESIA, INC. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Year Ended December 31, 2022**

***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 consolidated 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 of Directors (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, Ready-to-Use Therapeutic Food (RUTF)*** is specifically designed for the treatment of severe acute malnutrition. It is suitable for ages six months and older.

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*Plumpy'Sup, Ready-to-Use Supplemental Food (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 and older.

*Plumpy'Doz, Lipid-based Nutrient Supplement - Medium Quantity (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, Lipid-based Nutrient Supplement – Small Quantity (LNS-SQ)* 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 – Scheduled Feeding (LNS-SF)* 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-PLW)* 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 (LNS-PLW)* 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.

***Investments and Fair Value Measurements***

The Organization reports its investments at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach, as specified by authoritative guidance, are used to measure fair value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Organization has the ability to access.

**EDESIA, INC. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Year Ended December 31, 2022**

Level 2 inputs (other than quoted prices included within level 1) are observable for the asset or liability, either directly or indirectly.

Level 3 are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability. The unobservable inputs are developed based on the best information available in the circumstances and may include the Organization's own data.

The Organization's investments are classified as levels 1 and 2 within the fair value hierarchy.

Level 1 investments owned by the Organization and listed on a National Securities Exchange are valued at the last recorded sales price as of the consolidated financial statement reporting date or, in the absence of recorded sales, at the last quoted bid price reported as of the consolidated financial statement reporting date.

Level 2 investment values are all based on quoted market prices, dealer quotations or alternative pricing supported by observable inputs, which may be redeemed at or near the reporting date.

The Organization reports the investments' net realized and unrealized gains and losses in the consolidated statement of activities as a component of net investment income (loss). Gains and losses on investments are reported as changes in net assets without donor restrictions, unless gains and losses on investments are restricted by a donor's explicit stipulation or by a law that extends a donor's restriction.

Dividends and interest are recorded as received, which does not differ materially from the accrual basis. Purchases and sales of securities are recorded on the trade date.

***Leases***

The Organization has agreements for use of its facilities, the land and a copier. The Organization determines if an arrangement is a lease at inception. Operating leases are included in right-of-use (ROU) assets – operating leases, current portion of operating leases payable, and operating leases payable on the accompanying consolidated statement of financial position.

ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the Organization's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. If a lease does not provide an implicit rate, the Organization uses a risk-free rate based on the information available at commencement date in determining the present value of lease payments.

**EDESIA, INC. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Year Ended December 31, 2022**

The ROU asset also includes any lease payments made and excludes lease incentives. The Organization's lease terms include options to extend or terminate the lease when it is reasonably certain the Organization will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. Lease payments include fixed lease payments and variable lease payments whereby measurement is based on an index or a rate. Variable payments on real estate leases include the Organization's payments for its pro-rata share of real estate taxes and common area charges not included in the base rental payment amount, which are recorded as lease expense when the amount becomes measurable. The Organization's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

***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 twenty-five years.

***Deferred Revenue***

Advanced funds are recorded in the accounting records by the Organization as deferred revenue until such time as the Organization incurs expenditures related to the specific program for which the funds have been received.

***Debt Issuance Costs***

The Organization incurred costs to acquire long-term debt (Note 8). These costs are amortized to interest expense on a straight-line basis over the term of the related debt. Debt issuance costs were fully amortized with the pay-down of the long-term debt (Note 8).

In accordance with authoritative guidance, debt issuance costs related to a debt liability are presented on the consolidated 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 by transferring control over the product to the customer, which occurs upon delivery of products per the given contract International Commercial terms, 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. Payment is due either upon delivery of products or within periods generally not exceeding 30 days.

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



**EDESIA, INC. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Year Ended December 31, 2022**

***Contributions*** - The Organization recognizes contributions in the fiscal year in which the contribution is made. Contributions are recorded either as net assets without or with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. However, it is also the policy of the Organization to show net assets with donor restrictions that are both received and fully expended in the same year directly in net assets without donor restrictions.

***Donated Goods and Services*** - Contributions of donated non-cash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills and are 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. No significant services were provided in 2022.

***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 Organization's operating costs have been allocated between program expenses, management and general, and fundraising based on direct identification when possible, and allocation if an expenditure benefits more than one program or function. Expenditures that require allocation 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. All other indirect expenses are allocated based on compensation and benefits.

***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 its 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.



**EDESIA, INC. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Year Ended December 31, 2022**

***Estimates and Assumptions***

The preparation of consolidated financial statements in conformity with U.S. GAAP 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.

***Reclassifications***

Certain reclassifications have been made to the 2021 consolidated comparative financial information to conform to the 2022 consolidated financial statement presentation.

***Subsequent Events***

Management has evaluated events through April 27, 2023, 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, 2022:

Cash and cash equivalents	\$ 10,119,785
Grants and contracts receivable	<u>16,765,230</u>
 Financial assets available to meet general expenditure needs within one year	 <u>\$ 26,885,015</u>

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, the Organization has long-term investments of \$7,486,205 (Note 5), available to meet current obligations, as well as a \$3,000,000 line of credit (Note 8), which it could draw upon in the event of an unanticipated liquidity need.

**4. Inventory**

Inventory consisted of the following:

Raw materials	\$ 6,804,029
Finished goods	<u>6,378,221</u>
 Total inventory	 <u>\$ 13,182,250</u>

**EDESIA, INC. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Year Ended December 31, 2022**



Cost of sales consisted of the following:

Beginning inventory	\$ 14,843,147
Purchases	56,559,295
Production labor and benefits	6,213,197
Royalties	425,000
Storage and handling fees	1,344,930
Maintenance, occupancy and related fees	1,810,529
Freight out	1,583,627
Product testing	860,584
Other production costs	338,217
Cost of goods available for sale	<u>83,978,526</u>
Less ending inventory	<u>(13,182,250)</u>
Cost of sales	<u><u>\$ 70,796,276</u></u>

**5. Investments**

The Organization's investments at December 31, 2022 are presented in the fair value hierarchy as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Money market funds	\$ 3,771,018	\$ -	\$ 3,771,018
U.S. exchange traded equities	1,915,931	-	1,915,931
Foreign exchange traded equities	557,214	-	557,214
Fixed income	337,636	-	337,636
Corporate bonds	<u>-</u>	<u>904,406</u>	<u>904,406</u>
Total investments	<u><u>\$ 6,581,799</u></u>	<u><u>\$ 904,406</u></u>	<u><u>\$ 7,486,205</u></u>

**6. Right-of-Use Assets and Leases Payable**

In April 2016, the Organization entered into a non-cancellable 25-year sublease operating lease agreement for facilities with a related party (Note 11) and land with the prime landlord. In April 2022, the Organization entered into a non-cancellable 5-year lease agreement for a copier.

**EDESIA, INC. AND SUBSIDIARIES**  
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**Year Ended December 31, 2022**

The following is a summary of the right-of-use assets at December 31, 2022:

Right-of-use assets – operating leases	\$ 10,011,482	
Less: accumulated amortization	440,691	
Right-of-use assets	\$ 9,570,791	

The components of lease cost for the year ended December 31, 2022 are as follows:

Lease Cost:		
Operating lease cost	\$ 637,786	
Variable lease cost	181,005	
Total lease cost	\$ 818,791	

Future minimum lease payments due on the Organization’s operating lease agreements are as follows as of December 31, 2022:

<u>Year Ending</u>		
2023	\$	612,064
2024		614,663
2025		617,261
2026		629,975
2027		624,802
Thereafter		8,386,624
		11,485,389
Less present value		1,884,175
		9,601,214
Less current portion		423,160
Operating leases payable, less current portion	\$	9,178,054

Other quantitative disclosures for the year ended December 31, 2022 are as follows:

Supplemental Cash Flow Information:		
ROU assets obtained in exchange for operating lease obligations	\$	40,629
Operating cash flows from operating leases	\$	607,363
Other Information:		
Weighted average remaining lease term		18.03 years
Weighted average discount rate		2.01%

**EDESIA, INC. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Year Ended December 31, 2022**

**7. Property and Equipment**

Property and equipment consisted of the following:

Equipment:	
Information technology	\$ 1,564,841
Production	21,691,817
Furniture and fixtures	261,559
Leasehold improvements	533,176
Motor vehicles	195,551
Construction in progress	489,066
	24,736,010
Less accumulated depreciation	18,266,508
Total property and equipment, net	\$ 6,469,502

At December 31, 2022, the Organization has construction in progress related to production equipment purchased but not yet placed into service. The balance will be placed into service in 2023, at which point depreciation will commence.

During the year ended December 31, 2022, the Organization sold production equipment with a cost basis of \$61,300 and accumulated depreciation of \$14,303. The net proceeds from the sale were \$4,000, resulting in a loss on sale of \$42,997 which is included within other revenue on the accompanying 2022 consolidated statement of activities.

At December 31, 2022, purchases of production equipment of \$83,928 are included within accounts payable and accrued expenses on the accompanying consolidated statement of financial position.

**8. Debt**

***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 (0.105% at December 31, 2021) plus 1.40%. Effective January 31, 2022, the line-of-credit agreement was amended to replace the LIBOR rate with the American Interbank Offered Rate (AMERIBOR) (4.40% at December 31, 2022). At year-end, there no outstanding balance on this line of credit.

The line of credit is secured by a first security lien position in all tangible and intangible business assets. In addition, the agreement contains various financial covenants and restrictions. At December 31, 2022, management believes the Organization was in compliance with its covenants.

**EDESIA, INC. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Year Ended December 31, 2022**

***Equipment Loan Payable***

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

**9. Commitments**

***Retirement Plan***

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, 2022 was approximately \$263,400, 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' brand, 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 had 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. A new agreement was entered into as of October 1, 2021 for a five-year term ending September 30, 2026, superseding the prior agreement.

The Organization pays a royalty fee of 1.0% of net sales for unbranded 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, up to a maximum of \$750,000 during each year ending December 31. The Organization earns a credit against the royalty fee for service fees as defined in the Agreement of a minimum of \$200,000 up to a maximum of \$350,000 per contract year. For the year ended December 31, 2022, total credits were approximately \$325,000, resulting in total royalty fees of approximately \$425,000.

**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, grants and contracts receivable and investments.

**EDESIA, INC. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Year Ended December 31, 2022**

The Organization maintains its operating accounts in three financial institutions. The balance in each institution is insured by the Federal Deposit Insurance Corporation up to \$250,000. At year-end, the uninsured portion of these balances was approximately \$9,486,700. The Organization monitors its exposure with regard to cash and cash equivalents and has not experienced losses on such accounts.

The Organization maintains its investment accounts at one financial brokerage institution. The account balances are insured by the Securities Investor Protection Corporation (SIPC) up to \$500,000 (including up to \$250,000 for cash balances). At year-end, the uninsured portion of this balance was approximately \$6,736,200. The Organization monitors its exposure with regard to investments and has not experienced losses on such accounts.

At December 31, 2022, approximately \$14,910,600, or 89%, of the Organization's outstanding receivables were due from three 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 the receivables.

For the year ended December 31, 2022, approximately 99% of product sales was 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.

For the year ended December 31, 2022, purchases from two vendors comprised approximately 25% of total purchases. At year-end, management does not believe that significant business risk exists with respect to the continuation of business with these vendors.

Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is possible that changes in values of investment securities could occur in the near term and that such changes could materially affect investment balances and activity included in the consolidated financial statements.

**11. Related Party Transactions**

The Organization leases land and facilities from an entity that is owned equally by the founder of the Organization and President of the Board, and Nutriset (see Note 6). Amounts paid to the related entity for the year ended December 31, 2022 totaled approximately \$500,000.

**Edesia, Inc.**

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, 2022

**EDESIA, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended December 31, 2022**



Federal Grantor/Pass-through Grantor/Program Title	Assistance Listing Number	Award Number	Total Federal Expenditures	Subrecipient
<u>United States Agency for International Development</u>				
<i>Food for Peace Cluster</i>				
<i>Direct Funding</i>				
Food for Peace Emergency Program	98.008	AID-FFP-G-15-00045	\$ 422,622	\$ -
		AID-FFP-G-15-00047	63,158	-
		AID-FFP-20GR00023	2,320,918	-
		AID-FFP-20GR00024	630,181	-
			<u>\$ 3,436,879</u>	<u>\$ -</u>



**EDESIA, INC.**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended December 31, 2022**

**1. Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Edesia, Inc. (the Organization) under programs of the federal government for the year ended December 31, 2022. 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 minimis indirect cost rate under the Uniform Guidance.

**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 consolidated financial statements of Edesia, Inc. and Subsidiaries (a not-for-profit organization) (collectively, the Organization), which comprise the consolidated statement of financial position as of December 31, 2022, 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, and have issued our report thereon dated April 27, 2023.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Organization's consolidated 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 or significant deficiencies may exist that were not 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)***

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Organization's consolidated 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 consolidated financial statements. 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, Kenya & Co., Ltd.*

April 27, 2023

**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**

***Opinion on Each Major Federal Program***

We have audited Edesia, Inc. and Subsidiaries' (a not-for-profit organization) (collectively, the Organization) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the Organization's major federal program for the year ended December 31, 2022. The Organization's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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 program for the year ended December 31, 2022.

***Basis for Opinion on Each Major Federal Program***

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

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

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Organization's federal programs.

***Auditors' Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error as fraud may involve collusion, forgery, intention, omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

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

**Report on 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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

April 27, 2023

**EDESIA, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended December 31, 2022**

**SECTION I - SUMMARY OF AUDITORS' RESULTS**

***Financial Statements:***

Type of auditors' report issued: *unmodified*

Internal control over financial reporting:

- Material weaknesses identified?  yes  no
- Significant deficiencies identified?  yes  none reported
- Noncompliance material to financial statements noted?  yes  no

***Federal Awards:***

Internal control over major programs:

- Material weaknesses identified?  yes  no
- Significant deficiencies identified?  yes  none reported

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

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

Major federal program:

Assistance Listing Number  
98.008

Name of Federal Program  
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  yes  no

**EDESIA, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended December 31, 2022**

**SECTION II - FINANCIAL STATEMENT FINDINGS**

No matters were reported.

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

No matters were reported.