EDESIA, INC. AND SUBSIDIARIES

Consolidated Financial Statements
and Supplementary Information

Year Ended December 31, 2023

(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, 2023

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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying 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, 2023, 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.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Edesia, Inc. and Subsidiaries as of December 31, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the 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 audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. 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 and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, 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 amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 to 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 schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Summarized Comparative Information

We have previously audited the Organization's December 31, 2022 consolidated financial statements, and we expressed an unmodified opinion on those audited consolidated financial statements in our report dated April 27, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2024, 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 solely 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 the effectiveness of the Organization's 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 30, 2024

EDESIA, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
December 31, 2023
(With Comparative Totals at December 31, 2022)

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	2023	2022
Assets		
Current Assets:		
Cash and cash equivalents	$ 17,746,549	$ 10,119,785
Grants and contracts receivable, net	6,856,630	16,765,230
Inventory	26,658,269	13,182,250
Prepaid expenses and other	918,186	699,565
Total current assets	**52,179,634**	**40,766,830**
Investments	82,244,419	7,486,205
Right-of-use Assets - Operating Leases	9,119,804	9,570,791
Property and Equipment, net	11,288,933	6,469,502
Security Deposits	11,845	11,845
Total Assets	**$ 154,844,635**	**$ 64,305,173**
Liabilities and Net Assets		
Current Liabilities:		
Current portion of operating leases payable	$ 434,317	$ 423,160
Accounts payable and accrued expenses	7,351,051	7,748,908
Deferred revenue	2,980,000	-
Royalties payable	50,000	343,897
Total current liabilities	**10,815,368**	**8,515,965**
Operating leases payable, less current portion	8,743,737	9,178,054
Total liabilities	**19,559,105**	**17,694,019**
Net Assets:		
Without donor restrictions	70,285,530	46,611,154
With donor restrictions	65,000,000	-
Total net assets	**135,285,530**	**46,611,154**
Total Liabilities and Net Assets	**$ 154,844,635**	**$ 64,305,173**

EDESIA, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF ACTIVITIES
Year Ended December 31, 2023
(With Comparative Totals for the Year Ended December 31, 2022)

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	2023	2022
Change in Net Assets without Donor Restrictions:		
Revenue and support:		
Program income:		
Product sales	$ 109,774,051	$ 74,392,667
Federal grants	2,577,715	3,436,879
Total program income	**112,351,766**	**77,829,546**
Cost of sales	(89,916,569)	(70,796,276)
Net program income	**22,435,197**	**7,033,270**
Contributions	6,146,877	6,736,320
Donated stock	-	750,000
Investment income (loss), net	2,126,783	(410,377)
Other revenue	847,201	59,013
Total revenue and support	**31,556,058**	**14,168,226**
Expenses:		
Program expenses	4,941,555	4,610,611
General and administrative expenses	2,704,545	1,747,642
Fundraising expenses	235,582	165,161
Total expenses	**7,881,682**	**6,523,414**
Change in net assets without donor restrictions	**23,674,376**	**7,644,812**
Change in Net Assets with Donor Restrictions:		
Contributions (Note 9)	65,000,000	-
Change in net assets with donor restrictions	**65,000,000**	**-**
Change in Net Assets	**88,674,376**	**7,644,812**
Net Assets, beginning of year	**46,611,154**	**38,966,342**
Net Assets, end of year	**$ 135,285,530**	**$ 46,611,154**

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EDESIA, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2023
(With Comparative Totals for the Year Ended December 31, 2022)

	2023						2022
	Cost of Sales	Program Expenses	Total Program	General and Administrative	Fundraising Expenses	Total	Total
Salaries and wages	$ 8,023,083	$ 1,936,192	$ 9,959,275	$ 484,048	$ 179,564	$ 10,622,887	$ 7,643,164
Payroll taxes	622,375	136,822	759,197	34,205	40,693	834,095	696,464
Employee benefits	687,704	177,302	865,006	44,326	-	909,332	768,617
Credit loss expense	-	-	-	477,363	-	477,363	-
Depreciation	-	1,854,627	1,854,627	156,770	-	2,011,397	1,775,260
Freight out	2,543,269	-	2,543,269	-	-	2,543,269	1,583,627
Information technology	-	367,731	367,731	219,992	150	587,873	468,992
Insurance	-	249,626	249,626	62,407	-	312,033	280,940
Interest	-	-	-	19,216	-	19,216	26,504
Occupancy and related	2,536,192	-	2,536,192	256,320	-	2,792,512	2,065,780
Office expense	-	138,157	138,157	33,861	15,175	187,193	180,804
Other production costs	564,096	-	564,096	-	-	564,096	338,217
Product testing	1,170,882	34,901	1,205,783	-	-	1,205,783	903,179
Professional fees	-	-	-	629,763	-	629,763	368,910
Raw materials	71,242,038	-	71,242,038	-	-	71,242,038	58,220,192
Royalties	409,000	-	409,000	-	-	409,000	425,000
Staff training and development	-	46,197	46,197	88,901	-	135,098	74,275
Storage and handling fees	2,117,930	-	2,117,930	-	-	2,117,930	1,344,930
Travel and related	-	-	-	197,373	-	197,373	154,835
Total expenses	**$ 89,916,569**	**$ 4,941,555**	**$ 94,858,124**	**$ 2,704,545**	**$ 235,582**	**$ 97,798,251**	**$ 77,319,690**
Total expenses excluding cost of sales						**$ 7,881,682**	**$ 6,523,414**

EDESIA, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
Year Ended December 31, 2023
(With Comparative Totals for the Year Ended December 31, 2022)

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	2023	2022
Cash Flows from Operating Activities:		
Receipts:		
Product sales	$ 122,331,699	$ 67,462,471
Federal grants	2,577,715	2,951,100
Contributions	6,146,877	7,486,320
Investment return	1,297,864	155,210
Other revenue	720,697	102,010
Total receipts	**133,074,852**	**78,157,111**
Payments:		
Salaries and wages	(10,534,664)	(7,627,808)
Benefits and related	(1,894,445)	(1,510,710)
Raw materials	(85,681,831)	(51,118,788)
Other production costs	(6,802,571)	(4,161,761)
Other operating costs	(1,820,823)	(1,248,201)
Occupancy and maintenance	(2,764,685)	(2,035,357)
Insurance	(312,033)	(280,940)
Interest	(19,216)	(26,504)
Total expenditures	**(109,830,268)**	**(68,010,069)**
Net cash provided by operating activities	**23,244,584**	**10,147,042**
Cash Flows from Investing Activities:		
Purchase of investments	(74,473,425)	(3,398,921)
Proceeds from sale of investments	544,130	1,528,895
Purchase of property and equipment	(6,688,525)	(3,084,493)
Proceeds on disposal of assets	-	4,000
Net cash used by investing activities	**(80,617,820)**	**(4,950,519)**
Cash Flows from Financing Activities:		
Contribution for infrastructure expansion	65,000,000	-
Payments on equipment loan payable	-	(670,217)
Net cash provided (used) by financing activities	**65,000,000**	**(670,217)**
Net Increase in Cash and Cash Equivalents	**7,626,764**	**4,526,306**
Cash and Cash Equivalents, beginning of year	**10,119,785**	**5,593,479**
Cash and Cash Equivalents, end of year	**$ 17,746,549**	**$ 10,119,785**
Supplemental Data:		
Cash paid for interest	$ 19,216	$ 26,504
Purchases of property and equipment payable	$ 162,210	$ 83,928
Sale of property and equipment receivable	$ 146,411	$ -

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 22 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.

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, 2022, 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 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 credit losses based on historical experience, current conditions, and reasonable and supportable forecasts.

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, the allowance for credit losses is approximately $477,400.

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.

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.

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.
>
> 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 follows:

> 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.
>
> Level 3 investment values are provided by the third-party investment broker who develops their valuations through pricing the assets and liabilities of the fund. These valuations depend on monthly statements and estimates obtained from the underlying investment fund manager, which are considered unobservable market inputs in accordance with the applicable authoritative guidance.

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.

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.

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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.

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.

Contributed Nonfinancial Assets **-** 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 contributed nonfinancial assets were received in 2023.

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 time and effort.

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.

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.

Subsequent Events
Management has evaluated events through April 30, 2024, 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, 2023:

Cash and cash equivalents	$ 17,746,549
Grants and contracts receivable, net	6,856,630
Financial assets available to meet general expenditure needs within one year	$ 24,603,179

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 without donor restrictions of $17,244,419 (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	$	6,414,376
Finished goods		20,243,893
Total inventory	$	26,658,269

Cost of sales consisted of the following:

Beginning inventory	$	13,182,250
Purchases		84,718,057
Production labor and benefits		9,352,916
Royalties		409,000
Storage and handling fees		2,117,930
Occupancy and related		2,536,192
Freight out		2,543,269
Product testing		1,151,128
Other production costs		564,096
Cost of goods available for sale		116,574,838
Less ending inventory		26,658,269
Cost of sales	$	89,916,569

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5. Investments

The Organization's investments are presented in the consolidated statement of financial position at fair value and consist of the following at December 31, 2023:

	Level 1	Level 2	Level 3	Total
Money market funds	$36,129,847	$ -	$ -	$36,129,847
Common stock	546,719	-	-	546,719
U.S. Treasury bills	11,161,382	-	-	11,161,382
Exchange traded funds	3,969,754	-	-	3,969,754
Mutual funds	2,442,090	-	-	2,442,090
Domestic corporate bonds	-	21,580,116	-	21,580,116
Foreign corporate bonds	-	5,930,745	-	5,930,745
Alternative investment	-	-	483,766	483,766
	$54,249,792	$27,510,861	$ 483,766	$82,244,419

The alternative investment consists of an investment in a hedge fund. Redemptions are permitted monthly with prior written notice of five days. There are no unfunded commitments related to the investment at December 31, 2023.

A reconciliation of investments measured at fair value using significant unobservable inputs (level 3) is as follows:

Beginning balance at January 1, 2023	$ 202,631
Purchases	210,000
Change in fair value	71,135
Ending balance at December 31, 2023	$ 483,766

The Organization's investments include $65,000,000 of funds restricted for infrastructure expansion (Note 9).

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 12) and land with the prime landlord.

The following is a summary of the right-of-use assets at December 31, 2023:

Right-of-use assets – operating leases	$	10,011,482
Less: accumulated amortization		891,678
Right-of-use assets	$	9,119,804

The components of lease cost for the year ended December 31, 2023 are as follows:

Operating lease cost	$	639,889
Variable lease cost		143,429
Total lease cost	$	783,318

Future minimum lease payments due on the Organization's operating lease agreements are as follows as of December 31, 2023:

Year Ending		
2024	$	614,663
2025		617,261
2026		629,975
2027		624,802
2028		622,699
Thereafter		7,763,925
		10,873,325
Less present value component		1,695,271
		9,178,054
Less current portion		434,317
Operating leases payable, less current portion	$	8,743,737

Other quantitative disclosures for the year ended December 31, 2023 are as follows:

Supplemental Cash Flow Information:		
Operating cash flows from operating leases	$	570,462
Other Information:		
Weighted average remaining lease term		17.04 years
Weighted average discount rate		2.01%

Subsequent to the year ended December 31, 2023, the Organization entered into a two-year non-cancellable operating lease for additional warehouse space. The Company recorded an additional ROU asset – operating lease with an offsetting operating lease payable of $1,147,527 during 2024.

Future minimum lease payments due on this lease at the commencement date in 2024 will be as follows:

Year Ending	
2024	$ 600,000
2025	600,000
	1,200,000
Less present value	52,473
	$ 1,147,527

7. Property and Equipment

Property and equipment consisted of the following:

Equipment:	
Information technology	$ 1,746,433
Production	24,604,912
Furniture and fixtures	261,559
Leasehold improvements	540,449
Motor vehicles	293,788
Construction in progress	3,960,015
	31,407,156
Less accumulated depreciation	20,118,223
Total property and equipment, net	$ 11,288,933

At December 31, 2023, the Organization has construction in progress of $3,606,505 related to production equipment purchased but not yet placed into service, and $353,510 related to its warehouse expansion. The production equipment will be placed into service in 2024, at which point depreciation will commence. The warehouse expansion is expected to start in 2024 and will be completed in phases through 2026. The expected total cost of the warehouse expansion is approximately $129,500,000.

During the year ended December 31, 2023, the Organization sold fully depreciated production equipment which resulted in a gain of $146,411. A receivable of $146,411 is included within grants and contracts receivable on the accompanying 2023 consolidated statement of financial position and a gain on sale of $146,411 is included within other revenue on the accompanying 2023 consolidated statement of activities.

At December 31, 2023, purchases of production equipment and leasehold improvements of $162,210 are included within accounts payable and accrued expenses on the accompanying 2023 consolidated statement of financial position.

8. 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 American Interbank Offered Rate (AMERIBOR) (5.37% at December 31, 2023). At year-end, there was 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, 2023, management believes the Organization was in compliance with its covenants.

9. Net Assets with Donor Restrictions

At December 31, 2023, net assets with donor restrictions consisted of $65,000,000 restricted for the Organization's infrastructure expansion project.

10. 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, 2023 was approximately $308,500, 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 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, 2023, total credits were approximately $341,000, resulting in total royalty fees of approximately $409,000.

11. 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.

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 $17,227,300. 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 $43,072,200. The Organization monitors its exposure with regard to investments and has not experienced losses on such accounts.

At December 31, 2023, approximately $6,379,000, or 93%, 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, 2023, 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, 2023, approximately 91% of contributions were from one donor.

For the year ended December 31, 2023, purchases from two vendors comprised approximately 23% 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.

12. 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, 2023 totaled approximately $500,000.

KLR

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, 2023

EDESIA, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2023

Federal Grantor/Pass-through Grantor/Program Title	Assistance Listing Number	Award Number	Total Federal Expenditures	Subrecipient
United States Agency for International Development				
Food for Peace Cluster				
Direct Funding				
Food for Peace Emergency Program	98.008	AID-FFP-20GR00023	$ 1,558,872	$ -
		AID-FFP-20GR00024	1,018,843	-
			$ 2,577,715	$ -

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

EDESIA, INC.
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2023

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, 2023. 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.

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

To the Board of Directors of
Edesia, Inc. 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, 2023, 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 30, 2024.

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, Renza & Co., Ltd.

April 30, 2024

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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

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, 2023. 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, 2023.

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, intentional 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.

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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 30, 2024

Kahn, Litwin, Renza & Co., Ltd.

EDESIA, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2023

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements:

Type of auditors' report issued:	*unmodified*	
Internal control over financial reporting:		
• Material weaknesses identified?	_____ yes	X no
• Significant deficiencies identified?	_____ yes	X none reported
• Noncompliance material to financial statements noted?	_____ yes	X no

Federal Awards:

Internal control over major programs:		
• Material weaknesses identified?	_____ yes	X no
• Significant deficiencies identified?	_____ yes	X 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	X no

Major federal program:

Assistance Listing Number	*Name of Federal Program*
98.008	Food for Peace Cluster

Dollar threshold used to distinguish between type A and type B programs:	$750,000	
Auditee qualified as low-risk auditee	X yes	_____ no

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SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.