



Financial Statements of

**KIDS EAT SMART FOUNDATION
NEWFOUNDLAND AND
LABRADOR INC.**

July 31, 2014

**KIDS EAT SMART FOUNDATION
NEWFOUNDLAND AND LABRADOR INC.**
July 31, 2014

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Independent Auditor's Report

To the Members of the Board of
Kids Eat Smart Foundation Newfoundland and Labrador Inc.

We have audited the accompanying financial statements of Kids Eat Smart Foundation Newfoundland and Labrador Inc. (the "Foundation"), which comprise the statement of financial position as at July 31, 2014, and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

The Foundation derives revenue from fundraising campaigns and other donations, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Foundation and we were not able to determine whether any adjustments might be necessary to revenues, excess of revenue over expenses, assets and net assets.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Kids Eat Smart Foundation Newfoundland and Labrador Inc. as at July 31, 2014 and the results of its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Deloitte LLP

Chartered Accountants
September 29, 2014

**KIDS EAT SMART FOUNDATION
NEWFOUNDLAND AND LABRADOR INC.**

Statement of Operations

Year ended July 31, 2014

	2014			2013
	Program and Development	Administration	Total	Total
	\$	\$	\$	\$
Revenue				
Government of Newfoundland and Labrador (Note 4)	1,000,957	173,783	1,174,740	1,192,725
Corporate funding/donations	757,717	-	757,717	645,809
Interest	-	4,224	4,224	4,124
	1,758,674	178,007	1,936,681	1,842,658
Expenses				
Grants (Note 5)	1,095,268	-	1,095,268	1,099,910
Salaries and benefits	399,953	98,213	498,166	389,706
Fundraising expense	86,622	-	86,622	52,212
Rent	-	59,044	59,044	59,044
Other operating	38,981	8,738	47,719	89,651
Contract service	35,000	-	35,000	36,244
Designated gifts	34,620	-	34,620	20,609
Public education	26,213	-	26,213	19,152
Professional fees	13,677	2,570	16,247	37,144
Travel	12,702	26	12,728	7,776
Capacity building	9,259	-	9,259	15,564
Equipment leasing	6,361	1,590	7,951	7,931
Amortization	-	2,768	2,768	2,252
Repairs and maintenance	18	2,612	2,630	2,906
Insurance	-	2,446	2,446	2,557
	1,758,674	178,007	1,936,681	1,842,658
Excess of revenue over expenses	-	-	-	-

**KIDS EAT SMART FOUNDATION
NEWFOUNDLAND AND LABRADOR INC.**

Statement of Changes in Net Assets

Year ended July 31, 2014

	2014			2013	
	Investment in Capital				Total
	Assets	Restricted	Unrestricted	Total	
	\$	\$	\$	\$	\$
Balance, beginning of year	8,038	85,000	84,180	177,218	177,218
Amortization of tangible capital assets	(2,768)	-	2,768	-	-
Investment in tangible capital assets	2,087	-	(2,087)	-	-
Balance, end of year	7,357	85,000	84,861	177,218	177,218

**KIDS EAT SMART FOUNDATION
NEWFOUNDLAND AND LABRADOR INC.**

Statement of Financial Position

As at July 31, 2014

	2014	2013
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	685,914	541,132
HST receivable	13,893	18,983
Prepaid expenses	4,347	4,238
Inventory	1,917	-
	<u>706,071</u>	<u>564,353</u>
Tangible capital assets (Note 3)	<u>7,357</u>	<u>8,038</u>
	<u>713,428</u>	<u>572,391</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	91,202	50,784
Grants payable	4,668	5,293
Deferred contributions - Government of Newfoundland and Labrador (Note 4)	440,340	339,096
	<u>536,210</u>	<u>395,173</u>
Net assets		
Investment in tangible capital assets	7,357	8,038
Restricted (Note 6)	85,000	85,000
Unrestricted	84,861	84,180
	<u>177,218</u>	<u>177,218</u>
	<u>713,428</u>	<u>572,391</u>

Commitments (Note 7)

Approved by the Board:


Chairperson


Treasurer

**KIDS EAT SMART FOUNDATION
NEWFOUNDLAND AND LABRADOR INC.**

Statement of Cash Flows

Year ended July 31, 2014

	2014	2013
	\$	\$
Operating activities		
Excess of revenues over expenses	-	-
Adjustments for:		
Amortization	2,768	2,252
Changes in non-cash operating working capital (Note 8)	144,101	(550)
	<u>146,869</u>	<u>1,702</u>
Investing activity		
Purchase of tangible capital assets	(2,087)	(2,059)
Net increase (decrease) in cash and cash equivalents	144,782	(357)
Cash and cash equivalents, beginning of year	541,132	541,489
Cash and cash equivalents, end of year	<u>685,914</u>	<u>541,132</u>

KIDS EAT SMART FOUNDATION NEWFOUNDLAND AND LABRADOR INC.

Notes to the Financial Statements

July 31, 2014

1. DESCRIPTION OF BUSINESS

Kids Eat Smart Foundation Newfoundland and Labrador Inc. (the "Foundation") partners with schools, communities, volunteers and sponsors to set up and support nutritious food programs called Kids Eat Smart Clubs, organized by volunteers for school aged children throughout Newfoundland and Labrador. The Foundation's mandate is to ensure that every school aged child in Newfoundland and Labrador attends school well nourished to be ready to learn.

The Foundation is a not-for-profit corporation and is exempt from paying income tax under Section 149 of the Canadian Income Tax Act.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Foundation have been prepared in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the Chartered Professional Accountants ("CPA") handbook and reflect the following significant accounting policies:

Revenue recognition

The Foundation follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount can be reasonably estimated and collection is reasonably assured.

Contributed services

Volunteers contribute a significant number of hours per year to assist the Foundation in carrying out its objectives. In addition, the Foundation receives donated materials and services throughout the year. These contributions are only recognized in the financial statements when the fair value can be reasonably determined.

Cash and cash equivalents

Cash and cash equivalents includes cash and short-term investments in money market instruments with original maturities of three months or less.

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2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Tangible capital assets

Tangible capital assets are recorded at cost. Amortization is based on their estimated useful life using the following methods and rates or terms:

Computers	Declining balance	30%
Furniture and equipment	Declining balance	20%

Employee future benefits

The Foundation participates in a defined contribution plan for certain employees. The Foundation's contributions are expensed in the year the contributions are made.

During the year, the Foundation contributed \$10,170 (2013 - \$7,273) to the defined contribution pension plan, fully matching employee contributions up to 5% of their salary.

Financial instruments

Financial assets and financial liabilities are initially recognized at fair value when the Foundation becomes a party to the contractual provisions of the financial instrument. Subsequently, all financial instruments are measured at amortized cost, except for cash and cash equivalents which are measured at fair value.

Transaction costs related to financial instruments measured subsequent to initial recognition at fair value are expensed as incurred. Transaction costs related to other financial instruments are added to the carrying value of the asset or netted against the carrying value of the liability and are then recognized over the expected life straight-line method and recognized in excess of revenue over expenditures as interest income or expense.

With respect to financial assets at cost or amortized cost, the Foundation recognizes in excess of revenue over expenditures an impairment loss, if any, when there are indicators of impairments and it determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flow. When the extent of impairment of a previously written-down asset decreases and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to excess of revenue over expenditures in the period the reversal occurs.

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2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allocation of expenses

The Foundation records its expenses by function: Program and Development and Administration.

Salaries and benefits are allocated based on a predetermined percentage allocation being 80% for Program and Development and 20% for Administration. The remaining staff are allocated based on the prorated hours worked for each program.

Other operating expenses consist of the following:

- Grants, fundraising expense, contract service, designated gifts, public education and capacity building: allocated 100% to Program and Development
- Other: allocated 80% to Program and Development and 20% to Administration.
- Equipment leasing: allocated 80% to Program and Development and 20% to Administration.

The remaining expenses included in both functions are allocated based on the nature of expenses incurred.

Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organization requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Key components of the financial statements requiring management to make estimates include the useful life and amortization of tangible capital assets and accrued liabilities. Actual results could differ materially from those estimates.

3. TANGIBLE CAPITAL ASSETS

	2014		2013	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
	\$	\$	\$	\$
Computers	19,808	14,583	5,225	5,372
Furniture and equipment	6,348	4,216	2,132	2,666
	26,156	18,799	7,357	8,038

**KIDS EAT SMART FOUNDATION
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Notes to the Financial Statements

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4. DEFERRED CONTRIBUTIONS – GOVERNMENT OF NEWFOUNDLAND AND LABRADOR

Deferred contributions represent unspent resources, which are externally restricted for program development purposes and operating funding related to subsequent periods. Changes in the deferred contributions balance are as follows:

	2014	2013
	\$	\$
Balance, beginning of year	339,096	333,922
Add: Funding received in the current year	1,275,984	1,197,899
Less: Revenue recognized in the current year	(1,174,740)	(1,192,725)
Balance, end of year	440,340	339,096

5. GRANTS

	2014					2013	
	Start-up	Sustaining	Matching	Fruit & Vegetable	Non-cash	Total	Total
	\$	\$	\$	\$	\$	\$	\$
Eastern	4,780	91,583	186,260	173,842	-	456,465	484,038
Western	1,940	108,358	93,745	76,131	-	280,174	273,047
Nova Central	3,850	76,273	73,095	89,214	-	242,432	260,013
Labrador	-	33,037	45,277	12,883	-	91,197	57,812
Donated coupons	-	-	-	-	25,000	25,000	25,000
	10,570	309,251	398,377	352,070	25,000	1,095,268	1,099,910

The Foundation grants funds to schools and community groups under four categories: start-up funds enable new programs to commence; sustaining funds maintain existing programs; matching funds match community support; and fruit and vegetable grants are provided to schools to purchase fruit and vegetables.

During the year the Foundation received coupons from Breakfast Clubs of Canada in the amount of \$25,000 (2013 - \$25,000) to be allocated to all districts as required.

6. RESTRICTED FUNDS

The Foundation has restricted a portion of net assets as a reserve to help cover the estimated costs that would be incurred if the Foundation was to cease operations. The amount restricted represents management's best estimate of an appropriate reserve.

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7. COMMITMENTS

Future lease payments for office rent and equipment for each of the next two years are as follows:

	\$
2015	19,967
2016	4,580

8. SUPPLEMENTAL CASH FLOW INFORMATION

	2014	2013
	\$	\$
Changes in non-cash operating working capital		
HST receivable	5,090	(4,771)
Inventory	(1,917)	-
Prepaid expenses	(109)	(347)
Accounts payable and accrued liabilities	40,418	2,413
Grants payable	(625)	(3,019)
Deferred contributions - Government of Newfoundland and Labrador	101,244	5,174
	144,101	(550)

9. ECONOMIC DEPENDENCE

Approximately 60% (2013 - 65%) of revenue for the year ended July 31, 2014 relates to grants received from the Government of Newfoundland and Labrador. These grants are used to fund the administration of the Foundation and represent as a significant portion of the grants provided to schools and community groups.

10. FINANCIAL INSTRUMENTS

Financial assets

The carrying amounts of the financial assets of the Foundation by measurement basis used are summarized as follows:

- Cash and cash equivalents are measured at fair value.
- HST receivable is recorded at amortized cost.

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10. FINANCIAL INSTRUMENTS (Continued)

Financial risk factors

The Foundation has exposure to credit risk, liquidity risk and market risk. The Foundation's Board of Directors has overall responsibility for the oversight of these risks and reviews the Foundation's policies on an ongoing basis to ensure that these risks are appropriately managed. The source of risk exposure and how each is managed is outlined below:

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligation. The Foundation's credit risk is primarily attributable to HST receivable. The Foundation's management believes that the credit risk with respect to HST receivable is not material.

Liquidity risk

Liquidity risk is the risk that the Foundation will not be able to meet its financial obligations as they become due. As at July 31, 2014, the Foundation had cash and cash equivalents of \$685,914 (2013 - \$541,132), which is sufficient to cover its short-term financial obligations of \$95,870 (2013 - \$56,077).

To the extent that the Foundation does not believe that it has sufficient liquidity to meet current obligations, consideration will be given to obtaining additional funds through third party grants or other fundraising methods, assuming these can be obtained.

Market risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates, and equity prices will affect the Foundation's revenues and expenditures of the value of its financial instruments. The Foundation is not subject to foreign exchange and price risk.

(i) Interest rate risk

The cash equivalents bear interest at variable rates. Consequently, the Foundation is exposed to interest rate risk. While the Foundation's management does not actively manage this risk, the Foundation does not believe the risk is significant.