

Financial statements of

**Kids Eat Smart Foundation
Newfoundland and
Labrador Inc.**

July 31, 2016

Kids Eat Smart Foundation Newfoundland and Labrador Inc.

July 31, 2016

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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, 2016, 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.

Auditor's 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

In common with many not-for-profit organizations, 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 expenditures and cash flows from operations for the years ended July 31, 2016 and July 31, 2015, current assets as at July 31, 2016 and July 31, 2015 and net assets as at July 31 for both the 2016 and 2015 years and as at August 1, 2015 and August 1, 2014. Our audit opinion on the financial statements for the year ended July 31, 2015 was modified accordingly, because of the possible effects of this scope limitation.

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 as at July 31, 2016, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Deloitte LLP

Chartered Professional Accountants
December 2, 2016

Kids Eat Smart Foundation Newfoundland and Labrador Inc.

Statement of Operations
Year Ended July 31, 2016

	Program and Development	Administration	2016 Total	2015 Total
	\$	\$	\$	\$
Revenue				
Government of Newfoundland and Labrador (Note 4 and 9)	1,002,555	174,173	1,176,728	1,152,872
Corporate funding/donations	757,710	-	757,710	703,851
Interest	-	2,195	2,195	4,809
	1,760,265	176,368	1,936,633	1,861,532
Expenses				
Grants (Note 5)	1,040,978	-	1,040,978	1,035,241
Salaries and benefits	396,980	98,169	495,149	481,440
Fundraising expenses	94,330	-	94,330	105,903
Rent	-	59,044	59,044	59,044
Other operating	46,239	7,634	53,873	51,929
Designated gifts	95,973	-	95,973	39,629
Capacity building	28,386	-	28,386	21,524
Professional fees	12,654	1,722	14,376	17,746
Travel	14,037	40	14,077	16,599
Public education	24,554	-	24,554	14,815
Equipment leasing	6,134	1,533	7,667	7,750
Repairs and maintenance	-	3,461	3,461	3,261
Amortization	-	2,499	2,499	2,565
Insurance	-	2,266	2,266	2,307
Contract service	-	-	-	1,779
	1,760,265	176,368	1,936,633	1,861,532
Excess of revenue over expenditures	-	-	-	-

The accompanying notes to the financial statements are an integral part of this financial statement.

Kids Eat Smart Foundation Newfoundland and Labrador Inc.

Statement of Changes in Net Assets
Year Ended July 31, 2016

	Investment in Tangible Capital Assets	Internally Restricted	Unrestricted	2016 Total	2015 Total
	\$	\$	\$	\$	\$
Balance, beginning of year	6,700	85,000	85,518	177,218	177,218
Amortization of tangible capital assets	(2,499)	-	2,499	-	-
Investment in tangible capital assets	2,200	-	(2,200)	-	-
Balance, end of year	6,401	85,000	85,817	177,218	177,218

The accompanying notes to the financial statements are an integral part of this financial statement.

Kids Eat Smart Foundation Newfoundland and Labrador Inc.

Statement of Financial Position

As at July 31, 2016

	2016	2015
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	542,036	619,425
Harmonized sales tax receivable	15,973	15,114
Prepaid expenses	5,338	5,447
	563,347	639,986
Tangible capital assets (Note 3)	6,401	6,700
	569,748	646,686
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	90,332	84,242
Grants payable	4,058	4,058
Deferred contributions - Government of Newfoundland and Labrador (Note 4)	298,140	381,168
	392,530	469,468
Commitments (Note 7)		
Net assets		
Investment in tangible capital assets	6,401	6,700
Internally restricted (Note 6)	85,000	85,000
Unrestricted	85,817	85,518
	177,218	177,218
	569,748	646,686

Approved by the Board:

Chairperson

Treasurer

The accompanying notes to the financial statements are an integral part of this financial statement.

Kids Eat Smart Foundation Newfoundland and Labrador Inc.

Statement of Cash Flows Year Ended July 31, 2016

	2016	2015
	\$	\$
Operating activities		
Excess of revenue over expenditures	-	-
Adjustment for:		
Amortization	2,499	2,565
Changes in non-cash operating working capital (Note 8)	(77,688)	(67,146)
	(75,189)	(64,581)
Investing activity		
Purchase of tangible capital assets	(2,200)	(1,908)
Net decrease in cash and cash equivalents	(77,389)	(66,489)
Cash and cash equivalents, beginning of year	619,425	685,914
Cash and cash equivalents, end of year	542,036	619,425

The accompanying notes to the financial statements are an integral part of this financial statement.

Kids Eat Smart Foundation Newfoundland and Labrador Inc.

Notes to the Financial Statements

July 31, 2016

1. Purpose of the Foundation

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") Canada 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.

Tangible capital assets

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

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 \$7,692 (2015 - \$7,728) to the defined contribution pension plan, fully matching employee contributions up to 5% of their salary.

Kids Eat Smart Foundation Newfoundland and Labrador Inc.

Notes to the Financial Statements

July 31, 2016

2. Significant Accounting Policies (continued)

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.

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 of the instrument using the effective interest method.

With respect to financial assets measured at cost or amortized cost, the Foundation recognizes in net earnings an impairment loss, if any, where there are indicators of impairment and it determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows. 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 net earnings in the period the reversal occurs.

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 81% for Program and Development and 19% for Administration.

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 operating expenses: allocated 92% to Program and Development and 8% 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 organizations 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, allocation of expenses and accrued liabilities. Actual results could differ materially from those estimates.

Kids Eat Smart Foundation Newfoundland and Labrador Inc.

Notes to the Financial Statements
July 31, 2016

3. Tangible Capital Assets

			2016	2015
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Computers	23,917	18,880	5,037	4,993
Furniture and equipment	6,348	4,984	1,364	1,707
	30,265	23,864	6,401	6,700

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:

	2016	2015
	\$	\$
Balance, beginning of year	381,168	440,340
Add: Funding received in the current year	1,093,700	1,093,700
Less: Revenue recognized in the current year	(1,176,728)	(1,152,872)
Balance, end of year	298,140	381,168

5. Grants

						2016	2015
	Start-up	Sustaining	Matching	Fruit & Vegetable	Non-cash	Total	Total
	\$	\$	\$	\$	\$	\$	\$
Eastern	34,550	132,428	232,966	103,301	-	503,246	522,948
Western	2,580	105,292	115,262	36,617	-	259,751	244,431
Nova Central	5,000	72,028	89,753	49,906	-	216,686	215,495
Labrador	-	8,785	31,563	15,127	-	55,475	43,671
Donated coupons	-	-	-	-	5,820	5,820	8,696
	42,130	318,533	469,544	204,951	5,820	1,040,978	1,035,241

The Foundation grants funds to schools and community centres 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 \$5,820 (2015 - \$8,696) to be allocated to all schools as required.

Kids Eat Smart Foundation Newfoundland and Labrador Inc.

Notes to the Financial Statements
July 31, 2016

6. Internally Restricted Net Assets

The Foundation has restricted a portion of its 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.

7. Commitments

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

	\$
2017	65,114
2018	50,354
2019	6,074

8. Supplemental Cash Flow Information

	2016	2015
	\$	\$
Changes in non-cash operating working capital		
Harmonized sales tax receivable	(859)	(1,221)
Inventory	-	1,917
Prepaid expenses	109	(1,100)
Accounts payable and accrued liabilities	6,090	(6,960)
Grants payable	-	(610)
Deferred contributions - Government of Newfoundland and Labrador	(83,028)	(59,172)
	(77,688)	(67,146)

9. Economic Dependence

Approximately 61% (2015 - 62%) of revenue for the year ended July 31, 2016 relates to grants received from the Government of Newfoundland and Labrador. A significant portion of these grants are used to fund food programs in schools and community centres with a small portion supporting the administration of the Foundation.

10. Financial Instruments

Financial risk factors

The Foundation has exposure to 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:

Kids Eat Smart Foundation

Newfoundland and Labrador Inc.

Notes to the Financial Statements

July 31, 2016

10. Financial Instruments (continued)

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, 2016, the Foundation had cash and cash equivalents of \$542,036 (2015- \$619,425), which is sufficient to cover its short-term financial obligations of \$94,390 (2015 - \$88,300).

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 revenue and expenses and 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. The Foundation's management does not actively manage this risk as the Foundation does not believe the risk is significant.