

Financial statements of

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

July 31, 2017

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

July 31, 2017

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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, 2017, 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, 2017 and July 31, 2016, current assets as at July 31, 2017 and July 31, 2016 and net assets as at July 31 for both the 2017 and 2016 years and as at August 1, 2016 and August 1, 2015. Our audit opinion on the financial statements for the year ended July 31, 2016 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, 2017, 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.

The image shows a handwritten signature in black ink that reads "Deloitte LLP". The signature is written in a cursive, flowing style.

Chartered Professional Accountants  
December 6, 2017

# Kids Eat Smart Foundation Newfoundland and Labrador Inc.

Statement of Operations  
year ended July 31, 2017

	Program and Development	Administration	2017 Total	2016 Total
	\$	\$	\$	\$
<b>Revenue</b>				
Government of Newfoundland and Labrador (Note 4 and 9)	901,950	166,216	1,068,166	1,176,728
Corporate funding/donations	793,315	1,414	794,729	757,710
Interest	-	2,866	2,866	2,195
	<b>1,695,265</b>	<b>170,496</b>	<b>1,865,761</b>	<b>1,936,633</b>
<b>Expenses</b>				
Grants (Note 5)	1,077,309	-	1,077,309	1,136,951
Salaries and benefits	363,273	93,741	457,014	495,149
Fundraising expenses	122,972	-	122,972	94,330
Rent	-	59,598	59,598	59,044
Other operating	50,591	6,436	57,027	53,873
Public education	35,607	-	35,607	24,554
Professional fees	15,635	1,742	17,377	14,376
Travel	14,663	-	14,663	14,077
Equipment leasing	7,286	1,547	8,833	7,667
Capacity building	7,929	121	8,050	28,386
Repairs and maintenance	-	3,096	3,096	3,461
Insurance	-	2,432	2,432	2,499
Amortization	-	1,783	1,783	2,266
	<b>1,695,265</b>	<b>170,496</b>	<b>1,865,761</b>	<b>1,936,633</b>
<b>Excess of revenue over expenditures</b>	-	-	-	-

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, 2017

	Investment in Tangible Capital Assets	Internally Restricted	Unrestricted	2017 Total	2016 Total
	\$	\$	\$	\$	\$
<b>Balance, beginning of year</b>	<b>6,401</b>	<b>85,000</b>	<b>85,817</b>	<b>177,218</b>	177,218
Amortization of tangible capital assets	(1,783)	-	1,783	-	-
Investment in tangible capital assets	-	-	-	-	-
<b>Balance, end of year</b>	<b>4,618</b>	<b>85,000</b>	<b>87,600</b>	<b>177,218</b>	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, 2017

	2017	2016
	\$	\$
<b>Assets</b>		
Current assets		
Cash and cash equivalents	591,802	542,036
Accounts receivable	10,000	-
Harmonized sales tax receivable	9,639	15,973
Prepaid expenses	4,194	5,338
	<b>615,635</b>	563,347
Tangible capital assets (Note 3)	4,618	6,401
	<b>620,253</b>	569,748
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities	109,361	90,332
Grants payable	-	4,058
Deferred contributions - Gala	10,000	-
Deferred contributions - Government of Newfoundland and Labrador (Note 4)	323,674	298,140
	<b>443,035</b>	392,530
Commitments (Note 7)		
<b>Net assets</b>		
Investment in tangible capital assets	4,618	6,401
Internally restricted (Note 6)	85,000	85,000
Unrestricted	87,600	85,817
	<b>177,218</b>	177,218
	<b>620,253</b>	569,748

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, 2017

	2017	2016
	\$	\$
<b>Operating activities</b>		
Excess of revenue over expenditures	-	-
Adjustment for:		
Amortization	1,783	2,499
Changes in non-cash operating working capital (Note 8)	47,983	(77,688)
	<b>49,766</b>	<b>(75,189)</b>
<b>Investing activity</b>		
Purchase of tangible capital assets	-	(2,200)
Net increase (decrease) in cash and cash equivalents	49,766	(77,389)
Cash and cash equivalents, beginning of year	542,036	619,425
<b>Cash and cash equivalents, end of year</b>	<b>591,802</b>	<b>542,036</b>

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, 2017

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### 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

These financial statements of the Foundation have been prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO") 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 \$8,600 (2016 - \$7,692) 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, 2017

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### 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 79% for Program and Development and 21% for Administration.

Other operating expenses consist of the following:

- Grants, fundraising expense, 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 18% 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 ASNPO 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.

### 3. Tangible capital assets

			2017	2016
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Computers	23,917	20,390	3,527	5,037
Furniture and equipment	6,348	5,257	1,091	1,364
	<b>30,265</b>	<b>25,647</b>	<b>4,618</b>	<b>6,401</b>

# Kids Eat Smart Foundation Newfoundland and Labrador Inc.

## Notes to the Financial Statements

July 31, 2017

#### 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:

	2017	2016
	\$	\$
Balance, beginning of year	298,140	381,168
Add: Funding received in the current year	1,093,700	1,093,700
Less: Revenue recognized in the current year	(1,068,166)	(1,176,728)
Balance, end of year	<b>323,674</b>	298,140

#### 5. Grants

	2017					2016	
	Start-up	Sustaining	Matching	Fruit & Vegetable	Non-cash	Total	Total
	\$	\$	\$	\$	\$	\$	\$
Eastern	5,000	107,106	250,384	77,016	-	439,506	503,246
Western	900	75,539	101,235	48,998	-	226,672	259,751
Nova Central	5,000	63,600	108,125	51,231	-	227,956	216,686
Labrador	2,980	5,477	40,294	11,352	-	60,103	55,475
Donated coupons	-	-	-	-	6,958	6,958	5,820
Designated Grants	-	-	-	-	-	116,114	95,973
	<b>13,880</b>	<b>251,722</b>	<b>500,038</b>	<b>188,597</b>	<b>6,958</b>	<b>1,077,309</b>	<b>1,136,951</b>

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 \$6,958 (2016 - \$5,820) to be allocated to all schools as required.

#### 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.

# Kids Eat Smart Foundation Newfoundland and Labrador Inc.

Notes to the Financial Statements  
July 31, 2017

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## 7. Commitments

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

	\$
2018	50,112
2019	5,832
2020	5,832
2021	5,832
2022	5,832

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## 8. Supplemental cash flow information

	2017	2016
	\$	\$
Changes in non-cash operating working capital		
Accounts receivable	(10,000)	-
Harmonized sales tax receivable	6,334	(859)
Prepaid expenses	1,144	109
Accounts payable and accrued liabilities	19,029	6,090
Grants payable	(4,058)	-
Deferred contributions - Gala	10,000	-
Deferred contributions - Government of Newfoundland and Labrador	25,534	(83,028)
	<b>47,983</b>	<b>(77,688)</b>

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## 9. Economic dependence

Approximately 57% (2016 - 61%) of revenue for the year ended July 31, 2017 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, 2017

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### 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, 2017, the Foundation had cash and cash equivalents of \$591,802 (2016 - \$542,036), which is sufficient to cover its short-term financial obligations of \$109,361 (2016 - \$94,390).

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.

### 11. Comparative figures

Certain comparative figures have been reclassified to conform to current year's presentation. As a result of this reclassification, on the Statement of Operations, grants has increased by \$95,973 and designated gifts has decreased by the same amount.