
Financial statements of
Kids Eat Smart Foundation
Newfoundland and Labrador Inc.

July 31, 2018

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Deloitte LLP
5 Springdale Street
Suite 1000
St. John's NL A1E 0E4
Canada

Tel: (709) 576-8480
Fax: (709) 576-8460
www.deloitte.ca

Independent Auditor's Report

To the Board of Directors 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, 2018, 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 to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Foundation. Therefore, 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, 2018 and July 31, 2017, current assets as at July 31, 2018 and July 31, 2017 and net assets as at August 1 and July 31 for both the 2018 and 2017 years. Our audit opinion on the financial statements for the year ended July 31, 2017 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 Newfoundland and Labrador Inc. as at July 31, 2018, 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
November 27, 2018

**Kids Eat Smart Foundation
Newfoundland and Labrador Inc.**
Statement of Operations
year ended July 31, 2018

	Notes	Program and Development	Administration	2018	2017
		\$	\$	\$	\$
Revenue					
Government of Newfoundland and Labrador	4, 9	911,575	183,158	1,094,733	1,068,166
Corporate funding/donations		842,517	-	842,517	794,729
Interest		-	3,201	3,201	2,866
		1,754,092	186,359	1,940,451	1,865,761
Expenses					
Grants	5	1,099,159	-	1,099,159	1,077,309
Salaries and benefits		392,514	91,534	484,048	457,014
Fundraising expenses		125,990	4	125,994	122,972
Other operating		48,852	24,268	73,120	57,027
Rent		-	60,019	60,019	59,598
Public education		34,308	-	34,308	35,607
Travel		18,183	-	18,183	14,663
Professional fees		13,819	2,417	16,236	17,377
Capacity building		14,966	-	14,966	8,050
Equipment leasing		6,301	1,489	7,790	8,833
Insurance		-	2,530	2,530	2,432
Repairs and maintenance		-	2,415	2,415	3,096
Amortization		-	1,683	1,683	1,783
		1,754,092	186,359	1,940,451	1,865,761
Excess of revenue over expenditures		-	-	-	-

The accompanying notes are an integral part of these financial statements.

**Kids Eat Smart Foundation
Newfoundland and Labrador Inc.**
Statement of Changes in Net Assets
year ended July 31, 2018

	Investment in Tangible Capital Assets	Internally Restricted	Unrestricted	2018	2017
	\$	\$	\$	\$	\$
Balance, beginning of year	4,618	85,000	87,600	177,218	177,218
Amortization of tangible capital assets	(1,683)	-	1,683	-	-
Investment in tangible capital assets	803	-	(803)	-	-
Balance, end of year	3,738	85,000	88,480	177,218	177,218

The accompanying notes are an integral part of these financial statements.

**Kids Eat Smart Foundation
Newfoundland and Labrador Inc.**
Statement of Financial Position
as at July 31, 2018

	Notes	2018	2017
		\$	\$
Assets			
Current assets			
Cash and cash equivalents		564,082	591,802
Accounts receivable		20,000	10,000
Harmonized sales tax receivable		12,096	9,639
Prepaid expenses		3,337	4,194
		599,515	615,635
Tangible capital assets	3	3,738	4,618
		603,253	620,253
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		103,394	109,361
Deferred contributions - Gala		-	10,000
Deferred contributions - Government of Newfoundland and Labrador	4	322,641	323,674
		426,035	443,035
Commitments	7		
Net assets			
Investment in tangible capital assets		3,738	4,618
Internally restricted	6	85,000	85,000
Unrestricted		88,480	87,600
		177,218	177,218
		603,253	620,253

The accompanying notes are an integral part of these financial statements.

Approved by the Board:


_____, Chairperson


_____, Treasurer

**Kids Eat Smart Foundation
Newfoundland and Labrador Inc.**
Statement of Cash Flows
year ended July 31, 2018

	Notes	2018	2017
		\$	\$
Operating activities			
Excess of revenue over expenditures		-	-
Adjustment for:			
Amortization		1,683	1,783
Changes in non-cash operating working capital	8	(28,600)	47,983
		(26,917)	49,766
Investing activity			
Purchase of tangible capital assets		(803)	-
Net (decrease) increase in cash and cash equivalents		(27,720)	49,766
Cash and cash equivalents, beginning of year		591,802	542,036
Cash and cash equivalents, end of year		564,082	591,802

The accompanying notes are an integral part of these financial statements.

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 ("ASNPO") in Part III of the Chartered Professional Accountants ("CPA") Canada Handbook and reflect the following significant accounting policies:

Basis of presentation and fund accounting

The Foundation follows fund accounting classifying net assets as either internally restricted or unrestricted.

Unrestricted

The unrestricted net assets include the operating assets and liabilities of the Foundation. Unrestricted revenues are recognized as revenue in the year received or receivable.

Internally restricted

The Foundation has appropriated funds to be set aside to fund six months of budgeted operating expenses.

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.

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:

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 \$10,369 (2017 - \$8,600) 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.

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 67% to Program and Development and 33% to Administration.
- Equipment leasing & wages: allocated 81% to Program and Development and 19% to Administration.
- Professional fees: allocated 85% to Program and Development and 15% to Administration.

2. Significant accounting policies (continued)

Allocation of expenses

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

	2018		2017
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Computers	24,720	21,855	2,865
Furniture and equipment	6,348	5,475	873
	31,068	27,330	3,738

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:

	2018	2017
	\$	\$
Balance, beginning of year	323,674	298,140
Add: Funding received in the current year	1,093,700	1,093,700
Less: Revenue recognized in the current year	(1,094,733)	(1,068,166)
Balance, end of year	322,641	323,674

**Kids Eat Smart Foundation
Newfoundland and Labrador Inc.
Notes to the financial statements
July 31, 2018**

5. Grants

						2018
	Start-up	Sustaining	Matching	Fruit & Vegetable	Non-cash	Total
	\$	\$	\$	\$	\$	\$
Eastern	35,900	88,049	295,175	72,947	-	492,071
Western	5,000	66,881	98,182	39,222	-	209,285
Nova Central	7,700	41,738	136,137	26,641	-	212,216
Labrador	-	14,610	36,032	2,995	-	53,637
Donated coupons	-	-	-	-	13,987	13,987
Designated grants	-	-	-	-	-	117,963
	48,600	211,278	565,526	141,805	13,987	1,099,159

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 \$13,987 (2017 - \$6,958) 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.

7. Commitments

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

	\$
2019	62,839
2020	62,839
2021	62,839
2022	62,839
2023	42,759

8. Supplemental cash flow information

	2018	2017
	\$	\$
Changes in non-cash operating working capital		
Accounts receivable	(10,000)	(10,000)
Harmonized sales tax receivable	(2,457)	6,334
Prepaid expenses	857	1,144
Accounts payable and accrued liabilities	(5,967)	19,029
Grants payable	-	(4,058)
Deferred contributions - Gala	(10,000)	10,000
Deferred contributions - Government of Newfoundland and Labrador	(1,033)	25,534
	(28,600)	47,983

9. Economic dependence

Approximately 56% (2017 - 57%) of revenue for the year ended July 31, 2018, 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:

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, 2018, the Foundation had cash and cash equivalents of \$564,082 (2017 - \$591,802), which is sufficient to cover its short-term financial obligations of \$103,394 (2017 - \$109,361).

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.