KELLOGG CO
Form 10-Q
May 04, 2018
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q
QUARTERLY REPORT UNDER SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
(Mark One)

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2018
OR

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to
Commission file number 1-4171
KELLOGG COMPANY

State of Incorporation—Delaware IRS Employer Identification No.38-0710690
One Kellogg Square, P.O. Box 3599, Battle Creek, MI 49016-3599
Registrant's telephone number: 269-961-2000
Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes x No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or shorter period that the registrant was required to submit and post such files).
Yes x No ¨
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer", "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer x	Accelerated filer ¨	Non-accelerated filer ¨	Smaller reporting company ¨	Emerging growth company o

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ¨
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes ¨ No x
Common Stock outstanding as of April 28, 2018 — 346,848,322 shares

KELLOGG COMPANY
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Part I – FINANCIAL INFORMATION
Item 1. Financial Statements.
Kellogg Company and Subsidiaries
CONSOLIDATED BALANCE SHEET
(millions, except per share data)

	March 31, 2018 (unaudited)	December 30, 2017
Current assets		
Cash and cash equivalents	$ 370	$ 281
Accounts receivable, net	1,601	1,389
Inventories	1,214	1,217
Other current assets	135	149
Total current assets	3,320	3,036
Property, net	3,713	3,716
Goodwill	5,514	5,504
Other intangibles, net	2,650	2,639
Investments in unconsolidated entities	425	429
Other assets	1,080	1,027
Total assets	$ 16,702	$ 16,351
Current liabilities		
Current maturities of long-term debt	$ 408	$ 409
Notes payable	469	370
Accounts payable	2,230	2,269
Other current liabilities	1,408	1,474
Total current liabilities	4,515	4,522
Long-term debt	7,881	7,836
Deferred income taxes	357	355
Pension liability	812	839
Other liabilities	583	605
Commitments and contingencies		
Equity		
Common stock, $.25 par value	105	105
Capital in excess of par value	852	878
Retained earnings	7,334	7,069
Treasury stock, at cost	(4,346)	(4,417)
Accumulated other comprehensive income (loss)	(1,407)	(1,457)
Total Kellogg Company equity	2,538	2,178
Noncontrolling interests	16	16
Total equity	2,554	2,194
Total liabilities and equity	$ 16,702	$ 16,351

See accompanying Notes to Consolidated Financial Statements.

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Kellogg Company and Subsidiaries
CONSOLIDATED STATEMENT OF INCOME
(millions, except per share data)

(Results are unaudited)	Quarter ended March 31, 2018	April 1, 2017
Net sales	$3,401	$3,248
Cost of goods sold	2,149	2,088
Selling, general and administrative expense	742	880
Operating profit	510	280
Interest expense	69	61
Other income (expense), net	70	88
Income before income taxes	511	307
Income taxes	67	43
Earnings (loss) from unconsolidated entities	—	2
Net income	$444	$266
Per share amounts:		
Basic earnings	$1.28	$0.76
Diluted earnings	$1.27	$0.75
Dividends	$0.54	$0.52
Average shares outstanding:		
Basic	346	351
Diluted	348	354
Actual shares outstanding at period end	347	350

See accompanying Notes to Consolidated Financial Statements.

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Kellogg Company and Subsidiaries
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(millions)

(Results are unaudited)	Quarter ended March 31, 2018 Pre-tax amount	Tax (expense) benefit	After-tax amount
Net income			$ 444
Other comprehensive income (loss):			
Foreign currency translation adjustments	$30	$ 19	49
Cash flow hedges:			
Reclassification to net income	2	—	2
Postretirement and postemployment benefits:			
Reclassification to net income:			
Net experience loss	(1)	—	(1)
Other comprehensive income (loss)	$31	$ 19	$ 50
Comprehensive income			$ 494

(Results are unaudited)	Quarter ended April 1, 2017 Pre-tax amount	Tax (expense) benefit	After-tax amount
Net income			$ 266
Other comprehensive income (loss):			
Foreign currency translation adjustments	$76	$ 9	85
Cash flow hedges:			
Reclassification to net income	2	(1)	1
Postretirement and postemployment benefits:			
Reclassification to net income:			
Net experience loss	1	—	1
Other comprehensive income (loss)	$79	$ 8	$ 87
Comprehensive income			$ 353

See accompanying Notes to Consolidated Financial Statements.

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Kellogg Company and Subsidiaries
CONSOLIDATED STATEMENT OF EQUITY
(millions)

(unaudited)	Common stock shares	Common stock amount	Capital in excess of par value	Retained earnings	Treasury stock shares	Treasury stock amount	Accumulated other comprehensive income (loss)	Total Kellogg Company equity	Non-controlling interests	Total equity
Balance, December 31, 2016	420	$ 105	$ 806	$ 6,552	69	$ (3,997)	$ (1,575)	$ 1,891	$ 16	$ 1,907
Common stock repurchases					7	(516)		(516)		(516)
Net income				1,254				1,254	—	1,254
Dividends				(736)				(736)		(736)
Other comprehensive income							118	118	—	118
Stock compensation			66					66		66
Stock options exercised and other	1		6	(1)	(1)	96		101		101
Balance, December 30, 2017	421	$ 105	$ 878	$ 7,069	75	$ (4,417)	$ (1,457)	$ 2,178	$ 16	$ 2,194
Common stock repurchases					—	—		—		—
Net income				444				444		444
Dividends				(187)				(187)		(187)
Other comprehensive income							50	50	—	50
Stock compensation			16					16		16
Stock options exercised and other			(42)	8	(1)	71		37		37
Balance, March 31, 2018	421	$ 105	$ 852	$ 7,334	74	$ (4,346)	$ (1,407)	$ 2,538	$ 16	$ 2,554

See accompanying Notes to Consolidated Financial Statements.

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Kellogg Company and Subsidiaries
CONSOLIDATED STATEMENT OF CASH FLOWS
(millions)

(unaudited)	Quarter ended March 31, 2018	April 1, 2017
Operating activities		
Net income	$444	$ 266
Adjustments to reconcile net income to operating cash flows:		
Depreciation and amortization	122	121
Postretirement benefit plan expense (benefit)	(47)	(56)
Deferred income taxes	(1)	(66)
Stock compensation	16	17
Other	(30)	30
Postretirement benefit plan contributions	(19)	(24)
Changes in operating assets and liabilities, net of acquisitions:		
Trade receivables	(175)	(437)
Inventories	13	58
Accounts payable	(4)	11
All other current assets and liabilities	(91)	46
Net cash provided by (used in) operating activities	228	(34)
Investing activities		
Additions to properties	(132)	(130)
Collections of deferred purchase price on securitized trade receivables	—	245
Other	1	(1)
Net cash provided by (used in) investing activities	(131)	114
Financing activities		
Net issuances (reductions) of notes payable	99	191
Reductions of long-term debt	—	(1)
Net issuances of common stock	50	40
Common stock repurchases	—	(125)
Cash dividends	(187)	(182)
Net cash provided by (used in) financing activities	(38)	(77)
Effect of exchange rate changes on cash and cash equivalents	30	15
Increase (decrease) in cash and cash equivalents	89	18
Cash and cash equivalents at beginning of period	281	280
Cash and cash equivalents at end of period	$370	$ 298
Supplemental cash flow disclosures		
Interest paid	$14	$ 16
Income taxes paid	$31	$ 16
Supplemental cash flow disclosures of non-cash investing activities:		
Beneficial interests obtained in exchange for securitized trade receivables	$—	$ 256
Additions to properties included in accounts payable	$92	$ 106

See accompanying Notes to Consolidated Financial Statements.

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Notes to Consolidated Financial Statements
for the quarter ended March 31, 2018 (unaudited)
Note 1 Accounting policies

Basis of presentation
The unaudited interim financial information of Kellogg Company (the Company) included in this report reflects all adjustments, all of which are of a normal and recurring nature, that management believes are necessary for a fair statement of the results of operations, comprehensive income, financial position, equity and cash flows for the periods presented. This interim information should be read in conjunction with the financial statements and accompanying footnotes within the Company's 2017 Annual Report on Form 10-K.

The condensed balance sheet information at December 30, 2017 was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States. The results of operations for the quarterly period ended March 31, 2018 are not necessarily indicative of the results to be expected for other interim periods or the full year.

Accounts payable
The Company has agreements with certain third parties to provide accounts payable tracking systems which facilitates participating suppliers' ability to monitor and, if elected, sell payment obligations from the Company to designated third-party financial institutions. Participating suppliers may, at their sole discretion, make offers to sell one or more payment obligations of the Company prior to their scheduled due dates at a discounted price to participating financial institutions. The Company's goal in entering into these agreements is to capture overall supplier savings, in the form of payment terms or vendor funding, created by facilitating suppliers' ability to sell payment obligations, while providing them with greater working capital flexibility. We have no economic interest in the sale of these suppliers' receivables and no direct financial relationship with the financial institutions concerning these services. The Company's obligations to its suppliers, including amounts due and scheduled payment dates, are not impacted by suppliers' decisions to sell amounts under these arrangements. However, the Company's right to offset balances due from suppliers against payment obligations is restricted by this agreement for those payment obligations that have been sold by suppliers. As of March 31, 2018, $724 million of the Company's outstanding payment obligations had been placed in the accounts payable tracking system, and participating suppliers had sold $547 million of those payment obligations to participating financial institutions. As of December 30, 2017, $850 million of the Company's outstanding payment obligations had been placed in the accounts payable tracking system, and participating suppliers had sold $674 million of those payment obligations to participating financial institutions.

Revenue
The Company recognizes revenue from the sale of food products which are sold to retailers through direct sales forces, broker and distributor arrangements. The Company also recognizes revenue from the license of our trademarks granted to third parties who uses these trademarks on their merchandise. Revenue from these licenses are not material to the Company. Revenue, which includes shipping and handling charges billed to the customer, is reported net of applicable provisions for discounts, returns, allowances, and various government withholding taxes.

Contract balances where revenue is recognized in the current period that is not a result of current period performance is not material to the Company. The Company also does not incur costs to obtain or fulfill contracts.

Performance obligations

The Company recognizes revenue when (or as) performance obligations are satisfied by transferring control of the goods to customers. Control is transferred upon delivery of the goods to the customer. At the time of delivery, the customer is invoiced with payment terms which are commensurate with the customer's credit profile. Shipping and/or

handling costs that occur before the customer obtains control of the goods are deemed to be fulfillment activities and are accounted for as fulfillment costs.

The Company assesses the goods and services promised in its customers' purchase orders and identifies a performance obligation for each promise to transfer a good or service (or bundle of goods or services) that is distinct. To identify the performance obligations, the Company considers all the goods or services promised, whether explicitly stated or implied based on customary business practices. For a purchase order that has more

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than one performance obligation, the Company allocates the total consideration to each distinct performance obligation on a relative standalone selling price basis.

Significant Judgments

The Company offers various forms of trade promotions and the methodologies for determining these provisions are dependent on local customer pricing and promotional practices, which range from contractually fixed percentage price reductions to provisions based on actual occurrence or performance. Where applicable, future provisions are estimated based on a combination of historical patterns and future expectations regarding specific in-market product performance.

Our promotional activities are conducted either through the retail trade or directly with consumers and include activities such as in-store displays and events, feature price discounts, consumer coupons, contests and loyalty programs. The costs of these activities are generally recognized at the time the related revenue is recorded, which normally precedes the actual cash expenditure. The recognition of these costs therefore requires management judgment regarding the volume of promotional offers that will be redeemed by either the retail trade or consumer. These estimates are made using various techniques including historical data on performance of similar promotional programs. Differences between estimated expense and actual redemptions are normally insignificant and recognized as a change in management estimate in a subsequent period.

Practical expedients

For the quarter ended March 30, 2018, the Company elected the following practical expedients in accordance with ASU 2014-09:

- Significant financing component - The Company elected not to adjust the promised amount of consideration for the effects of a significant financing component as the Company expects, at contract inception, that the period between the transfer of a promised good or service to a customer and when the customer pays for that good or service will be one year or less.
- Shipping and handling costs - The Company elected to account for shipping and handling activities that occur before the customer has obtained control of a good as fulfillment activities (i.e., an expense) rather than as a promised service.
- Measurement of transaction price - The Company has elected to exclude from the measurement of transaction price all taxes assessed by a governmental authority that are both imposed on and concurrent with a specific revenue-producing transaction and collected by the Company from a customer for sales taxes.

New accounting standards adopted in the period

Derivatives and Hedging: Targeted Improvements to Accounting for Hedging Activities. In August 2017, the FASB issued an ASU intended to simplify hedge accounting by better aligning an entity's financial reporting for hedging relationships with its risk management activities. The ASU also simplifies the application of the hedge accounting guidance. The new guidance is effective on January 1, 2019, with early adoption permitted. For cash flow hedges existing at the adoption date, the standard requires adoption on a modified retrospective basis with a cumulative-effect adjustment to the Consolidated Balance Sheet as of the beginning of the year of adoption. The amendments to presentation guidance and disclosure requirements are required to be adopted prospectively. The Company adopted the ASU in the first quarter of 2018. The impact of adoption was immaterial to the financial statements.

Improving the Presentation of net Periodic Pension Cost and net Periodic Postretirement Benefit Cost. In March 2017, the FASB issued an ASU to improve the presentation of net periodic pension cost and net periodic postretirement

benefit cost. The ASU requires that an employer report the service cost component in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. The other components of net benefit cost are required to be presented in the income statement separately from the service cost component and outside a subtotal of income from operations, if one is presented. The amendments in this ASU should be applied retrospectively for the presentation of the service cost component and the other components of net periodic pension cost and net periodic postretirement benefit cost in the income statement and prospectively, on and after the effective date, for the capitalization of the service cost component of net periodic pension cost and net periodic postretirement benefit in assets. The Company adopted the ASU in the first quarter of 2018.

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Simplifying the test for goodwill impairment. In January 2017, the FASB issued an ASU to simplify how an entity is required to test goodwill for impairment by eliminating Step 2 from the goodwill impairment test. Step 2 measures a goodwill impairment loss by comparing the implied fair value of a reporting unit's goodwill with the carrying amount of that goodwill. The ASU is effective for an entity's annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2019. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The amendments in this ASU should be applied on a prospective basis. The Company adopted the ASU in the first quarter of 2018 with no impact.

Statement of Cash Flows. In August 2016, the FASB issued an ASU to provide cash flow statement classification guidance for certain cash receipts and payments including (a) debt prepayment or extinguishment costs; (b) contingent consideration payments made after a business combination; (c) insurance settlement proceeds; (d) distributions from equity method investees; (e) beneficial interests in securitization transactions and (f) application of the predominance principle for cash receipts and payments with aspects of more than one class of cash flows. The ASU is effective for fiscal years, and interim periods within those years, beginning after December 15, 2017. Early adoption is permitted, including adoption in an interim period, in which case adjustments should be reflected as of the beginning of the fiscal year that includes the interim period. The amendments in this ASU should be applied retrospectively. The Company adopted the new ASU in the first quarter of 2018.

Recognition and measurement of financial assets and liabilities. In January 2016, the FASB issued an ASU which requires equity investments that are not accounted for under the equity method of accounting to be measured at fair value with changes recognized in net income and which updates certain presentation and disclosure requirements. The ASU is effective for fiscal years, and interim periods within those years, beginning after December 15, 2017. Early adoption can be elected for all financial statements of fiscal years and interim periods that have not yet been issued or that have not yet been made available for issuance. Entities should apply the update by means of a cumulative-effect adjustment to the balance sheet as of the beginning of the fiscal year of adoption. The Company adopted the updated standard in the first quarter of 2018. The impact of adoption was immaterial to the financial statements.

Revenue from contracts with customers. In May 2014, the FASB issued an ASU, as amended, which provides guidance for accounting for revenue from contracts with customers. The core principle of this ASU is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration the entity expects to be entitled to in exchange for those goods or services. To achieve that core principle, an entity would be required to apply the following five steps: 1) identify the contract(s) with a customer; 2) identify the performance obligations in the contract; 3) determine the transaction price; 4) allocate the transaction price to the performance obligations in the contract and 5) recognize revenue when (or as) the entity satisfies a performance obligation. The Company adopted the updated standard in the first quarter of 2018 using the full retrospective method and restated previously reported amounts. In connection with the adoption, the Company made reclassification of certain customer allowances. The adoption effects relate to the timing of recognition and classification of certain promotional allowances. The updated revenue standard also required additional disaggregated revenue disclosures. Refer to Impacts to Previously Reported Results below for the impact of adoption of the standard on our consolidated financial statements.

Impacts to Previously Reported Results

Adoption of the standards related to revenue recognition, pension and cash flow impacted our previously reported results as follows:

	As of December 30, 2017		
Consolidated Balance Sheet	Previously Reported	Revenue Recognition ASU	Restated
Other assets	$1,026	$ 1	$ 1,027

Other current liabilities	$1,431	$ 43	$ 1,474
Deferred income taxes	$363	$ (8)	$ 355
Retained earnings	$7,103	$ (34)	$ 7,069

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Consolidated Statement of Income	Quarter ended April 1, 2017			
	Previously Reported	Revenue Recognition ASU	Pension ASU	Restated
Net sales	$3,254	$ (6)	$ —	$ 3,248
Cost of goods sold	$2,050	$ (16)	$ 54	$ 2,088
Selling, general and administrative expense	$844	$ 5	$ 31	$ 880
Other income (expense), net	$3	$ —	$ 85	$ 88
Income taxes	$42	$ 1	$ —	$ 43
Net income	$262	$ 4	$ —	$ 266
Per share amounts:				
Basic earnings	$0.75	$ 0.01	$ —	$ 0.76
Diluted earnings	$0.74	$ 0.01	$ —	$ 0.75

Consolidated Statement of Cash Flows	Quarter ended April 1, 2017			
	Previously Reported	Revenue Recognition ASU	Cash Flow ASU	Restated
Net income	$262	$ 4	$—	$ 266
Deferred income taxes	$(67)	$ 1	$—	$ (66)
Trade receivables	$(192)	$ —	$(245)	$ (437)
Other	$30	$ —	$—	$ 30
All other current assets and liabilities	$51	$ (5)	$—	$ 46
Net cash provided by (used in) operating activities	$211	$ —	$(245)	$ (34)
Collections of deferred purchase price on securitized trade receivables	$—	$ —	$245	$ 245
Net cash provided by (used in) investing activities	$(131)	$ —	$245	$ 114

Accounting standards to be adopted in future periods

Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income. In February 2018, the FASB issued an ASU permitting a company to reclassify the disproportionate income tax effects of the Tax Cuts and Jobs Act of 2017 on items within accumulated other comprehensive income (AOCI). The reclassification is optional. Regardless of whether or not a company opts to make the reclassification, the new guidance requires all companies to include certain disclosures in their financial statements. The guidance is effective for all fiscal years beginning after December 15, 2018. Early adoption is permitted. The Company is currently assessing whether to adopt the ASU and the impact of adoption.

Leases. In February 2016, the FASB issued an ASU which will require the recognition of lease assets and lease liabilities by lessees for all leases with terms greater than 12 months. The distinction between finance leases and operating leases will remain, with similar classification criteria as current GAAP to distinguish between capital and operating leases. The principal difference from current guidance is that the lease assets and lease liabilities arising from operating leases will be recognized on the Consolidated Balance Sheet. Lessor accounting remains substantially similar to current GAAP. The ASU is effective for fiscal years, and interim periods within those years, beginning after December 15, 2018. Early adoption is permitted. The Company will adopt the ASU in the first quarter of 2019, and is currently evaluating the impact that implementing this ASU will have on its financial statements.

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Note 2 Sale of accounts receivable

During 2016, The Company initiated a program in which a customer could extend their payment terms in exchange for the elimination of early payment discounts (Extended Terms Program).

The Company has two Receivable Sales Agreements (Monetization Programs) and previously had a separate U.S. accounts receivable securitization program (Securitization Program), both described below, which are intended to directly offset the impact the Extended Terms Program would have on the days-sales-outstanding (DSO) metric that is critical to the effective management of the Company's accounts receivable balance and overall working capital. The Company terminated the Securitization Program at the end of 2017 and entered into the second monetization program during the quarter ended March 31, 2018.

The Company has no retained interest in the receivables sold, however the Company does have collection and administrative responsibilities for the sold receivables. The Company has not recorded any servicing assets or liabilities as of March 31, 2018 and December 30, 2017 for these agreements as the fair value of these servicing arrangements as well as the fees earned were not material to the financial statements.

Monetization Programs

The Company has two Monetization Programs, for a discrete group of customers, to sell, on a revolving basis, certain trade accounts receivable invoices to third party financial institutions. Transfers under this agreement are accounted for as sales of receivables resulting in the receivables being de-recognized from the Consolidated Balance Sheet. The Monetization Programs provide for the continuing sale of certain receivables on a revolving basis until terminated by either party; however the maximum receivables that may be sold at any time is $988 million (increased from $800 million as of December 30, 2017, reflecting the execution of a second monetization program on March 20, 2018). Accounts receivable sold of $927 million and $601 million remained outstanding under these arrangement as of March 31, 2018 and December 30, 2017, respectively. The proceeds from these sales of receivables are included in cash from operating activities in the Consolidated Statement of Cash Flows. The recorded net loss on sale of receivables was $7 million for the quarter ended March 31, 2018 and was immaterial for the quarter ended April 1, 2017. The recorded loss is included in Other income and expense.

Securitization Program

Between July 2016 and December 2017, the Company had a Securitization Program with a third party financial institution. Under the program, the Company received cash consideration of up to $600 million and a deferred purchase price asset for the remainder of the purchase price. Transfers under the Securitization Program were accounted for as sales of receivables resulting in the receivables being de-recognized from the Consolidated Balance Sheet. This Securitization Program utilized Kellogg Funding Company (Kellogg Funding), a wholly-owned subsidiary of the Company. Kellogg Funding's sole business consisted of the purchase of receivables, from its parent or other subsidiary and subsequent transfer of such receivables and related assets to financial institutions. Although Kellogg Funding is included in the Company's consolidated financial statements, it is a separate legal entity with separate creditors who will be entitled, upon its liquidation, to be satisfied out of Kellogg Funding assets prior to any assets or value in Kellogg Funding becoming available to the Company or its subsidiaries. The assets of Kellogg Funding are not available to pay creditors of the Company or its subsidiaries. The Securitization Program was structured to expire in July 2018, but was terminated at the end of 2017. In March 2018 the Company substantially replaced the securitization program with the second monetization program.

As of December 30, 2017, approximately $433 million of accounts receivable sold to Kellogg Funding under the Securitization Program remained outstanding, for which the Company received net cash proceeds of approximately $412 million and a deferred purchase price asset of approximately $21 million. The portion of the purchase price for the receivables which is not paid in cash by the financial institutions is a deferred purchase price asset, which is paid to Kellogg Funding as payments on the receivables are collected from customers. The deferred purchase price asset represents a beneficial interest in the transferred financial assets and is recognized at fair value as part of the sale

transaction. The deferred purchase price asset is included in Other current assets on the Consolidated Balance Sheet. Upon final settlement of the program in March 2018, the outstanding deferred purchase price asset of $21 million was exchanged for previously sold trade accounts receivable.

The recorded net loss on sale of receivables for the quarter ended April 1, 2017 is included in Other income and expense and is not material.

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Other programs

Additionally, from time to time certain of the Company's foreign subsidiaries will transfer, without recourse, accounts receivable balances of certain customers to financial institutions. These transactions are accounted for as sales of the receivables resulting in the receivables being de-recognized from the Consolidated Balance Sheet. Accounts receivable sold of $43 million and $86 million remained outstanding under these programs as of March 31, 2018 and December 30, 2017, respectively. The proceeds from these sales of receivables are included in cash from operating activities in the Consolidated Statement of Cash Flows. The recorded net loss on the sale of these receivables is included in Other income and expense and is not material.

Note 3 Goodwill and other intangible assets

RXBAR acquisition

In October 2017, the Company completed its acquisition of Chicago Bar Co., LLC, the manufacturer of RXBAR, for $600 million, or $596 million net of cash and cash equivalents. The purchase price was subject to certain working capital adjustments based on the actual working capital on the acquisition date compared to targeted amounts. These adjustments were finalized during the quarter ended March 31, 2018 and resulted in a purchase price reduction of $1 million. The acquisition was accounted for under the purchase price method and was financed with short-term borrowings.

For the quarter ended March 31, 2018, the acquisition added $51 million in net sales in the Company's North America Other reporting segment.

The assets and liabilities are included in the Consolidated Balance Sheet as of March 31, 2018 within the North America Other reporting segment. The acquired assets and assumed liabilities include the following:

(millions)	October 27, 2017
Current assets	$ 42
Goodwill	373
Intangible assets, primarily indefinite-lived brands	203
Current liabilities	(23)
	$ 595

The amounts in the above table represent the allocation of purchase price as of March 31, 2018 and represent the finalization of the valuations for intangible assets, which resulted in a $2 million increase in amortizable intangible assets with a corresponding reduction of goodwill.

Goodwill and Intangible Assets

Changes in the carrying amount of goodwill, intangible assets subject to amortization, consisting primarily of customer lists, and indefinite-lived intangible assets, consisting of brands, are presented in the following tables:

Carrying amount of goodwill

(millions)	U.S. Snacks	U.S. Morning Foods	U.S. Specialty	North America Other	Europe	Latin America	Asia Pacific	Consoli-dated
December 30, 2017	$3,568	$ 131	$ 82	$ 836	$ 414	$ 244	$ 229	$5,504
Purchase price allocation adjustment	—	—	—	(1)	—	—	—	(1)
Purchase price adjustment	—	—	—	(1)	—	—	—	(1)
Currency translation adjustment	—	—	—	(1)	10	3	—	12

March 31, 2018	$3,568	$ 131	$ 82	$ 833	$ 424	$ 247	$ 229