

Breakfast Club of Canada
Financial Statements
June 30, 2022

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Independent Auditor's Report

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To the Directors of
Breakfast Club of Canada

Opinion

We have audited the financial statements of Breakfast Club of Canada (hereafter "the Organization"), which comprise the statement of financial position as at June 30, 2022, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at June 30, 2022, 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.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention

in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern;

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Raymond Cholet Grant Thornton LLP¹

Montréal
September 14, 2022

¹ CPA auditor, public accountancy permit no. A119564

Breakfast Club of Canada Operations

Year ended June 30, 2022

(In thousands of dollars)

	<u>2022</u>	<u>2021</u>
	\$	\$
Revenues		
Contributions		
Federal government grants – Emergency Food Security Fund (Note 2)	35,024	22,847
Donations and annual fund-raising campaigns (Note 5)	17,668	17,831
Other government grants (Note 5)	11,645	9,118
Donations – Goods and services (Notes 4 and 5)	4,012	3,561
Interest income	252	177
Other revenues	70	–
	<u>68,671</u>	<u>53,534</u>
Expenses		
Grants to schools and other organizations (Note 4)	41,767	26,078
Food and supplies – schools (Note 4)	11,027	9,716
Salaries and benefits	7,027	5,973
Marketing and communications	1,402	1,217
Consulting fees	1,076	672
School monitoring	1,054	943
Depreciation of tangible capital assets	313	284
Amortization of intangible assets	335	165
Loss (gain) on tangible capital assets	(2)	58
Other operating expenses	1,666	1,682
	<u>65,665</u>	<u>46,788</u>
Excess of revenues over expenses	<u><u>3,006</u></u>	<u><u>6,746</u></u>

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

Breakfast Club of Canada

Changes in Net Assets

Year ended June 30, 2022

(In thousands of dollars)

			<u>2022</u>	<u>2021</u>
	<u>Internally restricted</u>	<u>Unrestricted</u>	<u>Total</u>	<u>Total</u>
	\$	\$	\$	\$
Balance, beginning of year	12,000	2,977	14,977	8,231
Excess of revenues over expenses	-	3,006	3,006	6,746
Internal restriction (Note 14)	3,000	(3,000)	-	-
Balance, end of year	<u>15,000</u>	<u>2,983</u>	<u>17,983</u>	<u>14,977</u>

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

Breakfast Club of Canada

Cash Flows

Year ended June 30, 2022

(In thousands of dollars)

	<u>2022</u>	<u>2021</u>
	\$	\$
OPERATING ACTIVITIES		
Excess of revenues over expenses	3,006	6,746
Non-cash items		
Depreciation of tangible capital assets	313	284
Amortization of intangible assets	335	165
Loss (gain) on tangible capital assets	(2)	58
Net change in working capital items (Note 6)	<u>(2,251)</u>	<u>5,469</u>
Cash flows from operating activities	<u>1,401</u>	<u>12,722</u>
INVESTING ACTIVITIES		
Acquisition of tangible capital assets	(117)	(261)
Disposal of tangible capital assets	36	-
Acquisition of intangible assets	<u>(272)</u>	<u>(556)</u>
Cash flows from investing activities	<u>(353)</u>	<u>(817)</u>
Net increase in cash and cash equivalents	1,048	11,905
Cash and cash equivalents, beginning of year	<u>32,715</u>	<u>20,810</u>
Cash and cash equivalents, end of year	<u><u>33,763</u></u>	<u><u>32,715</u></u>
CASH AND CASH EQUIVALENTS		
Cash	2,105	2,749
Term deposits	<u>31,658</u>	<u>29,966</u>
	<u><u>33,763</u></u>	<u><u>32,715</u></u>

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

Breakfast Club of Canada

Financial Position

June 30, 2022

(In thousands of dollars)

	<u>2022</u>	<u>2021</u>
	\$	\$
ASSETS		
Current		
Cash and cash equivalents	33,763	32,715
Contributions and other receivables (Note 7)	555	835
Inventory	430	411
Prepaid expenses	311	220
	<u>35,059</u>	<u>34,181</u>
Long-term		
Tangible capital assets (Note 8)	695	954
Intangible assets (Note 9)	515	578
	<u>36,269</u>	<u>35,713</u>
LIABILITIES		
Current		
Trade payables and other operating liabilities (Note 11)	937	885
Other deferred contributions (Note 12)	17,321	19,794
	<u>18,258</u>	<u>20,679</u>
Long-term		
Deferred contributions related to tangible capital assets (Note 13)	28	57
	<u>18,286</u>	<u>20,736</u>
NET ASSETS		
Internally restricted (Note 14)	15,000	12,000
Unrestricted	2,983	2,977
	<u>17,983</u>	<u>14,977</u>
	<u>36,269</u>	<u>35,713</u>

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

On behalf of the Board,

Director

Director

Breakfast Club of Canada

Notes to Financial Statements

June 30, 2022

(In dollars, except tabular amounts, which are expressed in thousands of dollars)

1 - GOVERNING STATUTES AND PURPOSE OF THE ORGANIZATION

The Organization is a charitable organization incorporated under the Canada Not-for-profit Corporations Act, whose mission is to work with partners from all sectors to deliver a high-quality national school food program and to create together a nurturing environment where Canadian children and youth can flourish. It is a registered charity under the Income Tax Act.

2 - IMPACTS RESULTING FROM THE COVID-19 PANDEMIC

The declaration of the COVID-19 pandemic in March 2020 and the many measures implemented by federal, provincial, territorial and municipal governments to protect the population have had an impact on the Organization's activities. Most notably, these measures led to a significant increase of contributions from the federal, provincial and territorial governments, foundations and corporations to enable the Organization to help children affected by this crisis. During the year, the Organization entered into agreements with the Government of Canada for contributions from the Emergency Food Security Fund totalling \$32,000,000 (\$20,882,125 in 2021). As at June 30, 2022, the Organization received cumulative contributions of \$64,132,125 and an amount of \$62,870,618 was distributed (\$35,024,097 in 2022, \$22,846,521 in 2021 and \$5,000,000 in 2020).

This crisis and the end of these contributions are likely to lead to significant changes in assets or liabilities in the next fiscal year and to have a significant impact on the Organization's operations in the future.

3 - SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The Organization's financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations.

Accounting estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts recorded in the financial statements and notes to financial statements. These estimates are based on management's knowledge of current events and actions that the Organization may undertake in the future. Actual results may differ from these estimates.

Financial assets and liabilities

Initial measurement

Upon initial measurement, the Organization's financial assets and liabilities are measured at fair value, which, in the case of financial assets or financial liabilities that will be measured subsequently at amortized cost, is increased or decreased by the amount of the related financing fees and transaction costs. Transaction costs relating to financial assets and liabilities that will be measured subsequently at fair value are recognized in operations in the year they are incurred.

Breakfast Club of Canada

Notes to Financial Statements

June 30, 2022

(In dollars, except tabular amounts, which are expressed in thousands of dollars)

3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent measurement

At each reporting date, the Organization measures its financial assets and liabilities at amortized cost (including any impairment in the case of financial assets).

With respect to financial assets measured at amortized cost, the Organization assesses whether there are any indications of impairment. When there is an indication of impairment, and if the Organization determines that, during the year, there was a significant adverse change in the expected timing or amount of future cash flows from a financial asset, it will then recognize a reduction as an impairment loss in operations. The reversal of a previously recognized impairment loss on a financial asset measured at amortized cost is recognized in operations in the year the reversal occurs.

Revenue recognition

Contributions

The Organization follows the deferral method of accounting for contributions. Under this method, contributions restricted for future period expenses are deferred and are recognized as revenues in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenues when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Donation promises and bequests are recognized as revenues when received.

Moreover, the Organization recognizes contributed supplies and services when the fair value of these contributions can reasonably be estimated and if it would have had to otherwise acquire these supplies and services for its normal operations. Donations in kind are accounted for at the fair market value corresponding to the potential sales price of the item at the time of the donation.

Cash and cash equivalents

The Organization's policy is to present in cash and cash equivalents bank balances, including bank overdrafts whose balances fluctuate frequently from being positive to overdrawn, and investments with a maximum maturity of three months from the acquisition date or redeemable at any time without penalty.

Inventory

Food products and non-food inventory are recognized at the lower of cost and replacement value. For inventory received as donations, cost is determined using the fair value of the goods received at the time of donation.

Breakfast Club of Canada

Notes to Financial Statements

June 30, 2022

(In dollars, except tabular amounts, which are expressed in thousands of dollars)

3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Tangible capital assets and intangible assets

Tangible capital assets and intangible assets acquired are recorded at cost. When the Organization receives contributions of tangible capital assets or intangible assets, the asset cost is determined to be equal to its fair value at the contribution date plus all costs directly attributable to the acquisition of the tangible capital assets or intangible assets, or at a nominal value if fair value cannot be reasonably determined.

Amortization

Tangible capital assets and intangible assets subject to amortization are amortized over their respective estimated useful lives using the following methods and annual rates:

	<u>Methods</u>	<u>Rates</u>
Furniture	Straight-line	10%
Computer equipment, software and Website	Straight-line	33.33%
Leasehold improvements	Straight-line over the lease term	Until 2025
Equipment – schools	Straight-line	10%
Equipment – warehouse	Diminishing	20%
Equipment – telecommunications	Diminishing	30%

Write-down

When conditions indicate that a tangible capital asset or an intangible asset is impaired, the net carrying amount of the tangible capital asset or intangible asset is written down to the asset's fair value or replacement cost. The write-down is accounted for in the statement of operations and cannot be reversed.

Employee future benefits

Pension plan

The Organization has a defined contribution pension plan for its employees. The related pension expense is recognized in the statement of operations during the year the services are provided by employees. The effective date of the plan is January 1, 2010 for Quebec employees and July 1, 2013 for employees from outside Quebec.

Breakfast Club of Canada

Notes to Financial Statements

June 30, 2022

(In dollars, except tabular amounts, which are expressed in thousands of dollars)

3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employees become eligible for the plan when they meet one of the following conditions:

- They have reached 35% of the maximum pensionable earnings under the Quebec Pension Plan during the previous year; or
- They have worked 700 hours during the previous year.

Employee contributions vary between 1% and 3% of their gross salary according to the date of seniority. The employer's contribution is equal to the employee's contribution.

Total cash payments

Total cash payments for employee future benefits for 2022, consisting of cash contributed by the Organization to its defined contribution pension plan, amounted to \$132,492 (\$112,079 in 2021).

4 - INFORMATION INCLUDED IN OPERATIONS

Donations – goods and services

The Organization receives a substantial amount of contributed goods and services for its operations. The following items and amounts of the statement of operations are comprised partly of contributed materials and services valued at fair market value:

	<u>2022</u>	<u>2021</u>
	\$	\$
Food donations	3,911	3,535
Other goods	30	25
Services	71	1
	<u>4,012</u>	<u>3,561</u>

Food and supplies – schools, and grants to schools and other organizations

The Organization distributes a substantial amount of goods to schools in the course of its operations. These contributions amounted to \$4,040,962 (\$3,617,553 in 2021) and are valued at fair market value.

5 - CONTRIBUTIONS

	<u>2022</u>	<u>2021</u>
	\$	\$
Donations and annual fundraising campaign		
Businesses	12,787	14,114
Individuals	1,360	1,133
Foundations	3,521	2,584
	<u>17,668</u>	<u>17,831</u>

Breakfast Club of Canada

Notes to Financial Statements

June 30, 2022

(In dollars, except tabular amounts, which are expressed in thousands of dollars)

5 - CONTRIBUTIONS (Continued)

	<u>2022</u>	<u>2021</u>
	\$	\$
Other government grants		
Provincial – Quebec	10,579	8,118
Other federal grants	200	350
Nunavik Regional Board of Health and Social Services	559	244
City of Montreal	307	406
	<u>11,645</u>	<u>9,118</u>
Donations – goods and services		
Businesses	2,968	3,558
Foundations	1,044	3
	<u>4,012</u>	<u>3,561</u>

6 - INFORMATION INCLUDED IN CASH FLOWS

The net change in working capital items is detailed as follows:

	<u>2022</u>	<u>2021</u>
	\$	\$
Contributions and other receivables	280	(646)
Inventory	(19)	(225)
Prepaid expenses	(91)	(12)
Trade payables and other operating liabilities	52	(1,628)
Other deferred contributions	(2,473)	7,980
	<u>(2,251)</u>	<u>5,469</u>

7 - CONTRIBUTIONS AND OTHER RECEIVABLES

	<u>2022</u>	<u>2021</u>
	\$	\$
Sales taxes receivable	251	173
Other contributions receivable	304	33
Quebec provincial government grant receivable	–	629
	<u>555</u>	<u>835</u>

Breakfast Club of Canada

Notes to Financial Statements

June 30, 2022

(In dollars, except tabular amounts, which are expressed in thousands of dollars)

8 - TANGIBLE CAPITAL ASSETS

	2022		2021	
	Cost	Accumulated amortization	Net carrying amount	Net carrying amount
	\$	\$	\$	\$
Furniture	148	106	42	54
Computer equipment	425	322	103	137
Leasehold improvements	896	610	286	412
Equipment – schools	347	347	–	92
Equipment – warehouse	300	98	202	196
Equipment – telecommunications	72	68	4	5
Artwork	58	–	58	58
	2,246	1,551	695	954

9 - INTANGIBLE ASSETS

	2022		2021	
	Cost	Accumulated amortization	Net carrying amount	Net carrying amount
	\$	\$	\$	\$
Intangible assets subject to amortization				
Software	1,082	573	509	552
Website	59	53	6	26
	1,141	626	515	578

10 - LINE OF CREDIT

The Organization has a line of credit in the form of credit cards for an authorized amount of \$80,000. As at June 30, 2022, there was a balance of \$3,184 outstanding (\$38,728 as at June 30, 2021).

11 - TRADE PAYABLES AND OTHER OPERATING LIABILITIES

	2022	2021
	\$	\$
Trade and other payables	214	408
Salaries and vacations payable	633	411
Benefits payable	90	66
	937	885

Government remittances total \$82,242 as at June 30, 2022 (\$59,624 as at June 30, 2021).

Breakfast Club of Canada

Notes to Financial Statements

June 30, 2022

(In dollars, except tabular amounts, which are expressed in thousands of dollars)

12 - OTHER DEFERRED CONTRIBUTIONS

	<u>2022</u>	<u>2021</u>
	\$	\$
Operating grants		
Balance, beginning of year	19,794	11,814
Amount received	48,926	44,305
Amount receivable	-	629
Amount recognized in operations	(51,465)	(37,073)
Food donations and equipment not distributed	66	119
Balance, end of year	<u>17,321</u>	<u>19,794</u>

Other deferred contributions represent unused resources which, as a result of external restrictions, are intended to cover operating expenses for the coming year.

13 - DEFERRED CONTRIBUTIONS RELATED TO TANGIBLE CAPITAL ASSETS

Deferred contributions related to tangible capital assets include the net carrying amount of contributed tangible capital assets.

The balance of deferred contributions related to tangible capital assets is detailed as follows:

	<u>2022</u>	<u>2021</u>
	\$	\$
Leasehold improvements	261	261
Accumulated depreciation	(234)	(206)
Balance, end of year	<u>27</u>	<u>55</u>
Furniture	5	5
Accumulated depreciation	(4)	(3)
Balance, end of year	<u>1</u>	<u>2</u>
	<u>28</u>	<u>57</u>

14 - INTERNALLY RESTRICTED NET ASSETS

Many of the children who use the Organization's services come from a situation of poverty or food insecurity, and a breakfast program represents stability and continuity. The internally restricted net assets represent amounts designated by the Board of Directors from time to time, with the objective to maintain a cash reserve fund, to be reviewed on an annual basis. This financial contingency would be available in the event that the Organization's revenues or funding experience a shortfall, to ensure programs and services are not terminated prior to the end of a school year. Should circumstances warrant the use of these funds, they will become available subject to approval from the Board of Directors.

Breakfast Club of Canada

Notes to Financial Statements

June 30, 2022

(In dollars, except tabular amounts, which are expressed in thousands of dollars)

15 - FINANCIAL RISKS

Credit risk

The Organization is exposed to credit risk regarding the financial assets recognized in the statement of financial position. The Organization has determined that the financial assets with more credit risk exposure are contributions and other receivables (excluding sales taxes and any government grants receivable) since failure of any of these parties to fulfil their obligations could result in significant financial losses for the Organization.

Market risk

The Organization's financial instruments expose it to market risk, in particular, to interest rate risk, resulting from its investing activities.

Interest rate risk

The Organization is exposed to interest rate risk with respect to financial assets bearing fixed interest rates.

The term deposits bear interest at fixed rates and the Organization is, therefore, exposed to the risk of changes in fair value resulting from interest rate fluctuations.

Liquidity risk

The Organization's liquidity risk represents the risk that the Organization could encounter difficulty in meeting obligations associated with its financial liabilities. The Organization is, therefore, exposed to liquidity risk with respect to all of the financial liabilities recognized in the statement of financial position.

16 - COMMITMENTS

The Organization has entered into long-term lease agreements which call for lease payments of \$790,218 for the rental of office and warehouse space, and equipment and technical support.

The leases for office and warehouse space expire at various dates between June 30, 2023 and October 31, 2026. The leases for equipment and technical support expire on various dates between November 30, 2022 and December 1, 2024.

Minimum lease payments for the next five years are \$361,819 in 2023, \$212,291 in 2024, \$143,424 in 2025, \$54,514 in 2026 and \$18,171 in 2027.

Breakfast Club of Canada

Notes to Financial Statements

June 30, 2022

(In dollars, except tabular amounts, which are expressed in thousands of dollars)

16 - COMMITMENTS (Continued)

As at June 30, 2022, the Organization was committed to disbursing contributions to schools across Canada for the onboarding and development of breakfast clubs during the next financial year. The financial donations, along with service, furniture and food donations valued at fair market value under these agreements, are detailed as follows:

	\$
Financial donations	6,332
Service, furniture and food donations	7,482
	<u>13,814</u>

17 - COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the presentation adopted in the current year.

The main reclassification as at June 30, 2021 and for the year then ended are as follows:

- An amount of \$663,025 for the donation of gift cards is reclassified from Food and supplies – schools to Grants to schools and other organizations;
- Food purchases and supply costs are regrouped with Food donations and supplies – schools and renamed Food and supplies – schools;
- Small equipment, Repairs and maintenance, Supplies and office expenses, Telecommunications, Rental expense, Insurance, Heating and utilities, Professional fees, Interest and bank charges, Travel expenses and representation fees, Information technology expenses and Training and recruitment are regrouped with Other expenses and renamed Other operating expenses.