

Breakfast Club of Canada

Financial Statements

June 30, 2016

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Raymond Chabot Grant Thornton

Independent Auditor's Report

To the Directors of
Breakfast Club of Canada

Raymond Chabot Grant Thornton LLP
Suite 2000
National Bank Tower
600 De La Gauchetière Street West
Montréal, Quebec H3B 4L8

Telephone: 514-878-2691
Fax: 514-878-2127
www.rcgt.com

We have audited the accompanying financial statements of Breakfast Club of Canada, which comprise the statement of financial position as at June 30, 2016 and the statements of operations and 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, Breakfast Club of Canada derives revenues from contributions, including donations and contributions to the annual fund-raising campaign, and breakfast parents' contributions, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these contributions was limited to the amounts recorded in the records of Breakfast Club of Canada. Therefore, we were not able to determine whether any adjustments might be necessary to donations and contributions to the annual fund-raising campaign and breakfast parents' contribution revenues, excess (deficiency) of revenues over expenses and cash flows from operating activities for the years ended June 30, 2016 and 2015, current assets as at June 30, 2016 and 2015 and net assets as at July 1, 2015 and 2014 and June 30, 2016 and 2015. Our opinion on the financial statements for the year ended June 30, 2015 was qualified accordingly because of the possible effects of this limitation in scope.

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 Breakfast Club of Canada as at June 30, 2016, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Raymond Chabot Grant Thornton LLP

Montréal
September 22, 2016

¹ CPA auditor, CA public accountancy permit no. A119564

Breakfast Club of Canada Operations and net assets

Year ended June 30, 2016

	2016	2015
	\$	\$
Revenues		
Contributions		
Donations and annual fund-raising campaign (Note 4)	11,728,696	10,195,626
Donations – goods and services (Note 4)	3,160,382	3,061,728
Government grants (Note 4)	626,132	440,169
Breakfast parents' contributions	400,769	459,977
Interest income	24,175	30,973
Amortization of deferred contributions related to tangible capital assets and intangible assets	294,500	294,022
Other revenues	20,379	15,228
	<u>16,255,033</u>	<u>14,497,723</u>
Expenses		
Grants	3,413,254	4,183,605
Salaries	4,117,250	5,245,596
Small equipment	69,998	119,502
Food purchase and supply costs	1,001,141	1,055,955
Repairs and maintenance	36,582	35,695
Advertising, promotion and communications	522,950	541,790
Supplies and office expenses	102,756	112,902
Telecommunications	126,905	168,210
Rental expenses	330,336	357,359
Insurance	15,760	16,043
Heating and utilities	42,622	
Professional fees	144,947	47,051
Subcontracting	213,049	276,528
Interest and bank charges	39,176	25,543
Travel expenses and representation fees	317,626	376,218
Amortization of tangible capital assets	155,118	160,713
Amortization of intangible assets	344,121	349,578
Information technology expenses	54,072	37,641
Training and recruitment	12,161	34,356
Loss on disposal of tangible capital assets	10,481	32,404
Loss on write-off of intangible assets		17,189
School monitoring	786,290	844,992
Food donations and equipment – schools	2,965,839	2,857,271
Other expenses	68,148	83,133
	<u>14,890,582</u>	<u>16,979,274</u>
Excess (deficiency) of revenues over expenses	1,364,451	(2,481,551)
Net assets, beginning of year	<u>2,880,676</u>	<u>5,362,227</u>
Net assets, end of year	<u>4,245,127</u>	<u>2,880,676</u>

The accompanying notes are an integral part of the financial statements and Note 3 provides other information on operations.

Breakfast Club of Canada

Cash Flows

Year ended June 30, 2016

	<u>2016</u>	<u>2015</u>
	\$	\$
OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenses	1,364,451	(2,481,551)
Non-cash items		
Amortization of tangible capital assets	155,118	160,713
Amortization of intangible assets	344,121	349,578
Amortization of deferred contributions related to tangible capital assets and intangible assets	(294,500)	(294,022)
Loss on disposal of tangible capital assets	10,481	32,404
Loss on write-off of intangible assets		17,189
Net change in working capital items and other deferred contributions (Note 5)	319,067	(192,489)
Net change in fair value of investments		(7,739)
Cash flows from operating activities	<u>1,898,738</u>	<u>(2,415,917)</u>
INVESTING ACTIVITIES		
Acquisition of tangible capital assets	(160,548)	(153,792)
Disposal of tangible capital assets	6,004	15,322
Acquisition of intangible assets		(163,782)
Temporary investments		(2,958,037)
Receipt of temporary investments		7,260,213
Cash flows from investing activities	<u>(154,544)</u>	<u>3,999,924</u>
FINANCING ACTIVITIES		
Increase of deferred contributions and cash flows from financing activities	1,512	
Net increase in cash	<u>1,745,706</u>	1,584,007
Cash, beginning of year	<u>1,913,466</u>	329,459
Cash, end of year	<u><u>3,659,172</u></u>	<u><u>1,913,466</u></u>

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

Breakfast Club of Canada
Financial Position

June 30, 2016

	<u>2016</u>	<u>2015</u>
	\$	\$
ASSETS		
Current		
Cash	3,659,172	1,913,466
Trade and other receivables (Note 6)	389,546	494,397
Inventory	138,960	106,430
Prepaid expenses	<u>98,595</u>	<u>114,446</u>
	4,286,273	2,628,739
Long-term		
Tangible capital assets (Note 7)	1,026,532	1,037,586
Intangible assets (Note 8)	<u>91,228</u>	<u>435,349</u>
	<u>5,404,033</u>	<u>4,101,674</u>
LIABILITIES		
Current		
Trade payables and other operating liabilities (Note 10)	414,281	366,998
Other deferred contributions (Note 11)	<u>494,767</u>	<u>311,155</u>
	909,048	678,153
Long-term		
Deferred contributions related to tangible capital assets and intangible assets (Note 12)	<u>249,858</u>	<u>542,845</u>
	1,158,906	1,220,998
NET ASSETS		
Unrestricted		
	<u>4,245,127</u>	<u>2,880,676</u>
	<u>5,404,033</u>	<u>4,101,674</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, 2016

1 - GOVERNING STATUTES AND PURPOSE OF THE ORGANIZATION

Breakfast Club of Canada (hereafter the "Organization") is a charitable organization incorporated under the Canada Not-for-profit Corporations Act (NFP Act), whose mission is to mobilize Canadians to allow children living in poverty an access to an equal chance of success, namely by supporting community school nutrition programs. It is a registered charity under the Income Tax Act.

2 - 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.

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.

Breakfast Club of Canada

Notes to Financial Statements

June 30, 2016

2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and its 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 be reasonably 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.

Breakfast parents' contributions

Breakfast parents' contributions are recognized as revenue when services are rendered, fees are fixed or determinable and collection is reasonably assured.

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 consumption inventory is recognized at the lower of cost and replacement value. For inventory received in donation, cost is determined using the fair value of the good received at the time of donation.

Tangible capital assets and intangible assets subject to amortization

Tangible capital assets and intangible assets subject to amortization are accounted for at cost. When the Organization receives contributions of tangible capital assets and intangible assets subject to amortization, their cost is equal to their fair value at the contribution date.

Breakfast Club of Canada Notes to Financial Statements

June 30, 2016

2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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	Straight-line	33.33%
Computer software	Straight-line	33.33%
Web site	Straight-line	33.33%
Leasehold improvements	Straight-line	10%
Equipment – schools	Straight-line	10%
Equipment – warehouse	Declining balance	20%
Equipment – telecommunications	Declining balance	30%
Automotive equipment	Declining balance	30%

Write-down

When the Organization recognizes that a tangible capital asset or an intangible asset subject to amortization no longer has any long-term service potential, the excess of net carrying amount of the tangible capital asset or the intangible asset subject to amortization over its residual value is recognized as an expense in the statement of operations.

Employee future benefits

Pension plan

The Organization has a defined contribution pension plan. The date of entry into force of the plan is January 1, 2010 for Quebec employees and July 1, 2013 for employees from outside Quebec.

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

- (a) They reach 35% of the maximum allowable under the Quebec Pension Plan during the previous year's earnings;
- (b) They work 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 contribution is equal to employee contributions.

Total cash payments

Total cash payments for employees future benefits for 2016 consisting of cash contributed by the Organization to its defined contribution pension plan amounted to \$83,408 (\$93,149 in 2015).

Breakfast Club of Canada

Notes to Financial Statements

June 30, 2016

3 - INFORMATION INCLUDED IN OPERATIONS

Donations – goods and services

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

	2016	2015
	\$	\$
Travel expenses and representation fees	72,329	68,568
Food donations	3,056,064	2,941,624
Advertising, promotion and communications	11,303	
Other	20,686	51,536
	<u>3,160,382</u>	<u>3,061,728</u>

4 - CONTRIBUTIONS

	2016	2015
	\$	\$
Donations and annual fund-raising campaign		
Individuals	2,393,918	4,113,953
Businesses	6,079,021	4,897,313
Foundations	3,255,757	1,184,360
	<u>11,728,696</u>	<u>10,195,626</u>
Donations – goods and services		
Businesses	3,033,923	2,944,713
Foundations	126,459	117,015
	<u>3,160,382</u>	<u>3,061,728</u>
Government grants		
Ministère du Travail, de l'Emploi et de la Solidarité sociale		150,000
Ministère de l'Éducation et de l'Enseignement supérieur	100,000	
Health Canada	245,127	190,250
RRSSS Nunavik	281,005	99,919
	<u>626,132</u>	<u>440,169</u>

Breakfast Club of Canada

Notes to Financial Statements

June 30, 2016

5 - INFORMATION INCLUDED IN CASH FLOWS

The net change in working capital items and other deferred contributions is detailed as follows:

	2016	2015
	\$	\$
Trade and other receivables	104,851	44,552
Inventory	(32,530)	33,617
Prepaid expenses	15,851	(73,270)
Trade payables and other operating liabilities	47,283	(257,843)
Other deferred contributions	183,612	60,455
	<u>319,067</u>	<u>(192,489)</u>

6 - TRADE AND OTHER RECEIVABLES

	2016	2015
	\$	\$
Contributions receivable	273,814	246,205
Sales taxes receivable	110,545	92,754
Other receivables	5,187	5,438
Grant receivable		150,000
	<u>389,546</u>	<u>494,397</u>

7 - TANGIBLE CAPITAL ASSETS

	2016		2015	
	Cost	Accumulated amortization	Net carrying amount	Net carrying amount
	\$	\$	\$	\$
Furniture	154,403	44,521	109,882	102,524
Computer equipment	114,411	106,515	7,896	35,918
Leasehold improvements	496,564	98,516	398,048	342,500
Equipment – schools	569,878	171,402	398,476	425,012
Equipment – warehouse	46,752	21,671	25,081	31,367
Equipment – telecommunications	68,668	40,087	28,581	40,830
Artwork	57,900		57,900	57,900
Automotive equipment	1,948	1,280	668	1,535
	<u>1,510,524</u>	<u>483,992</u>	<u>1,026,532</u>	<u>1,037,586</u>

Breakfast Club of Canada
Notes to Financial Statements

June 30, 2016

8 - INTANGIBLE ASSETS

	2016		2015	
	Cost	Accumulated amortization	Net carrying amount	Net carrying amount
	\$	\$	\$	\$
Computer software	863,863	792,717	71,146	395,192
Web site	60,228	40,146	20,082	40,157
	924,091	832,863	91,228	435,349

9 - LINE OF CREDIT

The Organization has an authorized line of credit of \$80,000 on credit cards. As at June 30, 2016, an amount of \$15,978 (\$9,983 as at June 30, 2015) was used.

10 - TRADE PAYABLES AND OTHER OPERATING LIABILITIES

	2016	2015
	\$	\$
Trade and other payables	199,361	120,440
Salaries and vacations payable	189,162	215,638
Benefits payable	25,758	30,920
	414,281	366,998

Government remittances total \$35,685 as at June 30, 2016 (\$14,781 as at June 30, 2015).

11 - OTHER DEFERRED CONTRIBUTIONS

	2016	2015
	\$	\$
Operating grants		
Balance, beginning of year	311,155	250,700
Amount recognized in operations	(296,155)	(250,700)
Amount received relating to the following year	479,767	311,155
Balance, end of year	494,767	311,155

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

Breakfast Club of Canada

Notes to Financial Statements

June 30, 2016

12 - DEFERRED CONTRIBUTIONS RELATED TO TANGIBLE CAPITAL ASSETS AND INTANGIBLE ASSETS

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

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

	2016	2015
	\$	\$
Leasehold improvements	305,484	305,484
Accumulated amortization	<u>(74,655)</u>	<u>(43,114)</u>
Balance, end of year	<u>230,829</u>	<u>262,370</u>
Computer software	624,560	624,560
Accumulated amortization	<u>(624,560)</u>	<u>(363,832)</u>
Balance, end of year	<u>–</u>	<u>260,728</u>
Furniture	23,644	22,132
Accumulated amortization	<u>(4,615)</u>	<u>(2,385)</u>
Balance, end of year	<u>19,029</u>	<u>19,747</u>
	<u>249,858</u>	<u>542,845</u>

13 - FINANCIAL INSTRUMENTS

Financial risks

The Organization's main financial risk exposure is detailed as follows.

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 trade and other receivables (excluding sales taxes 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, interest rate risk, resulting from its investing activities:

– Interest rate risk:

The Organization is exposed to interest rate risk with respect to financial liabilities bearing variable interest rates.

Breakfast Club of Canada
Notes to Financial Statements
 June 30, 2016

13 - FINANCIAL INSTRUMENTS (Continued)

The line of credit bears interest at a variable rate and the Organization is, therefore, exposed to the cash flow risk 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.

Carrying amount of financial assets by category

The Organization's financial assets, totalling \$3,938,173 (\$2,315,109 as at June 30, 2015) have all been classified as financial assets measured at amortized cost.

14 - COMMITMENTS

The Company has entered into long-term lease agreements which call for lease payments of \$1,380,677 for the rental of office space, equipment and technical support.

The leases for office space expire at various dates between September 30, 2016 and June 30, 2023. The leases for equipment and technical support expire on various dates between November 28, 2018 and April 15, 2020.

Minimum lease payments for the next five years are \$299,656 in 2017, \$282,466 in 2018, \$178,436 in 2019, \$160,581 in 2020 and \$159,395 in 2021.

The Organization is committed to disbursing contributions to several schools across Canada for the opening 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:

	<u>\$</u>
Financial donations	2,919,976
Value of service and furniture	238,000
Value of food donations	2,414,544

15 - COMPARATIVE FIGURES

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

