

**Breakfast Club of Canada**  
**Financial Statements**  
**June 30, 2018**

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## Independent Auditor's Report

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To the Directors of  
Breakfast Club of Canada

We have audited the accompanying financial statements of Breakfast Club of Canada, which comprise the statement of financial position as at June 30, 2018 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 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 annual fund-raising campaign and breakfast parents' contribution revenues, excess of revenues over expenses and cash flows from operating activities for the years ended June 30, 2018 and 2017, current assets as at June 30, 2018 and 2017 and net assets as at July 1, 2017 and 2016 and June 30, 2018 and 2017. Our opinion on the financial statements for the year ended June 30, 2017 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, 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.

*Raymond Chabot Grant Thornton LLP<sup>1</sup>*

Montréal  
September 27, 2018

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<sup>1</sup> CPA auditor, CA public accountancy permit no. A119564

# Breakfast Club of Canada

## Operations and Net Assets

Year ended June 30, 2018

	2018	2017
	\$	\$
<b>Revenues</b>		
Contributions		
Donations and annual fund-raising campaign (Note 4)	12,920,230	11,726,434
Donations – goods and services (Note 4)	3,067,812	2,695,297
Government grants (Note 4)	809,262	854,508
Breakfast parents' contributions	438,697	414,944
Interest income	67,790	34,771
Amortization of deferred contributions related to tangible capital assets and intangible assets	28,823	29,103
Gain on write-off of deferred contributions relating to tangible capital assets		50,628
Other revenues	10,846	3,263
	<u>17,343,460</u>	<u>15,808,948</u>
<b>Expenses</b>		
Grants	3,962,076	3,819,453
Salaries	4,480,695	4,292,751
Small equipment	74,318	69,401
Food purchase and supply costs	1,356,209	1,227,761
Repairs and maintenance	34,690	35,750
Advertising, promotion and communications	1,180,212	688,350
Supplies and office expenses	78,113	73,701
Telecommunications	136,152	133,271
Rental expenses	299,881	326,224
Insurance	16,922	15,878
Heating and utilities	25,978	22,446
Professional fees	112,105	104,043
Subcontracting	202,692	225,228
Interest and bank charges	29,059	31,507
Travel expenses and representation fees	369,550	333,018
Amortization of tangible capital assets	146,900	133,344
Amortization of intangible assets	24,552	50,355
Information technology expenses	85,540	44,614
Training and recruitment	22,628	17,784
Loss (gain) on disposal of tangible capital assets	(1,303)	2,364
Loss on write-off of tangible capital assets	9,294	55,568
Loss on write-off of intangible assets	88,548	
School monitoring	865,460	766,055
Food donations and equipment – schools	2,830,569	2,462,619
Other expenses	71,511	31,284
	<u>16,502,351</u>	<u>14,962,769</u>
<b>Excess of revenues over expenses</b>	<b>841,109</b>	<b>846,179</b>
Net assets, beginning of year	<u>5,091,306</u>	<u>4,245,127</u>
Net assets, end of year	<u><u>5,932,415</u></u>	<u><u>5,091,306</u></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, 2018

	<u>2018</u>	<u>2017</u>
	\$	\$
<b>OPERATING ACTIVITIES</b>		
Excess of revenues over expenses	<b>841,109</b>	846,179
Non-cash items		
Amortization of tangible capital assets	<b>146,900</b>	133,344
Amortization of intangible assets	<b>24,552</b>	50,355
Amortization of deferred contributions related to tangible capital assets and intangible assets	<b>(28,823)</b>	(29,103)
Loss (gain) on disposal of tangible capital assets	<b>(1,303)</b>	2,364
Loss on write-off of tangible capital assets	<b>9,294</b>	55,568
Loss on write-off of intangible assets	<b>88,548</b>	
Gain on write-off of deferred contributions relating to tangible capital assets		(50,628)
Net change in working capital items, deferred revenues and other deferred contributions (Note 5)	<b>1,170,239</b>	876,408
Cash flows from operating activities	<b>2,250,516</b>	1,884,487
<b>INVESTING ACTIVITIES</b>		
Acquisition of tangible capital assets	<b>(94,134)</b>	(67,838)
Disposal of tangible capital assets	<b>3,550</b>	2,229
Acquisition of intangible assets	<b>(103,524)</b>	(34,825)
Cash flows from investing activities	<b>(194,108)</b>	(100,434)
<b>Net increase in cash and cash equivalents</b>	<b>2,056,408</b>	1,784,053
Cash and cash equivalents, beginning of year	<b>5,443,225</b>	3,659,172
Cash and cash equivalents, end of year	<b>7,499,633</b>	5,443,225

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

# Breakfast Club of Canada

## Financial Position

June 30, 2018

	<u>2018</u>	<u>2017</u>
	\$	\$
<b>ASSETS</b>		
Current		
Cash and cash equivalents	7,499,633	5,443,225
Trade and other receivables (Note 6)	193,151	317,931
Inventory	144,747	159,117
Prepaid expenses	119,836	145,825
	<u>7,957,367</u>	<u>6,066,098</u>
Long-term		
Tangible capital assets (Note 7)	836,558	900,865
Intangible assets (Note 8)	66,122	75,698
	<u>8,860,047</u>	<u>7,042,661</u>
<b>LIABILITIES</b>		
Current		
Trade payables and other operating liabilities (Note 10)	487,177	441,121
Other deferred contributions (Note 11)	2,285,101	1,340,107
Deferred revenues	14,050	
	<u>2,786,328</u>	<u>1,781,228</u>
Long-term		
Deferred contributions related to tangible capital assets and intangible assets (Note 12)	141,304	170,127
	<u>2,927,632</u>	<u>1,951,355</u>
<b>NET ASSETS</b>		
Unrestricted	<u>5,932,415</u>	<u>5,091,306</u>
	<u>8,860,047</u>	<u>7,042,661</u>

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

On behalf of the Board,

\_\_\_\_\_  
Director

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Director

# Breakfast Club of Canada

## Notes to Financial Statements

June 30, 2018

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### **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, 2018

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### **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 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, 2018

### 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	Diminishing balance	20%
Equipment – telecommunications	Diminishing balance	30%
Automotive equipment	Diminishing 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 the 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:

- 1) They have reached 35% of the maximum pensionable earnings under the Quebec Pension Plan during the previous year;
- 2) 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 contribution is equal to employee contributions.

### **Total cash payments**

Total cash payments for employee future benefits for 2018, consisting of cash contributed by the Organization to its defined contribution pension plan, amounted to \$86,341 (\$86,573 in 2017).

# Breakfast Club of Canada

## Notes to Financial Statements

June 30, 2018

### 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:

	<u>2018</u>	<u>2017</u>
	\$	\$
Travel expenses and representation fees	96,829	95,394
Food donations	2,892,444	2,482,063
Advertising, promotion and communications	59,711	49,938
Other	18,828	67,902
	<u>3,067,812</u>	<u>2,695,297</u>

### 4 - CONTRIBUTIONS

	<u>2018</u>	<u>2017</u>
	\$	\$
Donations and annual fund-raising campaign		
Individuals	4,852,415	4,696,846
Businesses	6,803,676	5,090,072
Foundations	1,264,139	1,939,516
	<u>12,920,230</u>	<u>11,726,434</u>
Donations – goods and services		
Businesses	2,956,861	2,675,297
Foundations	110,951	20,000
	<u>3,067,812</u>	<u>2,695,297</u>
Government grants		
Ministère du Travail, de l'Emploi et de la Solidarité sociale		47,500
Ministère de l'Éducation et de l'Enseignement supérieur		100,000
Ville de Montréal	297,308	221,663
Health Canada	250,000	200,000
Nunavik RBHSS	261,954	285,345
	<u>809,262</u>	<u>854,508</u>

# Breakfast Club of Canada

## Notes to Financial Statements

June 30, 2018

### 5 - INFORMATION INCLUDED IN CASH FLOWS

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

	2018	2017
	\$	\$
Trade and other receivables	124,780	71,615
Inventory	14,370	(20,157)
Prepaid expenses	25,989	(47,230)
Trade payables and other operating liabilities	46,056	26,840
Other deferred contributions	944,994	845,340
Deferred revenues	14,050	
	<u>1,170,239</u>	<u>876,408</u>

### 6 - TRADE AND OTHER RECEIVABLES

	2018	2017
	\$	\$
Contributions receivable	76,195	117,468
Sales taxes receivable	109,505	96,487
Other receivables	7,451	3,976
Government grant receivable		100,000
	<u>193,151</u>	<u>317,931</u>

### 7 - TANGIBLE CAPITAL ASSETS

	2018		2017
	Cost	Accumulated amortization	Net carrying amount
	\$	\$	\$
Furniture	136,393	65,984	70,409
Computer equipment	184,326	128,099	56,227
Leasehold improvements	534,919	196,624	338,295
Equipment – schools	534,679	252,734	281,945
Equipment – warehouse	46,752	30,700	16,052
Equipment – telecommunications	71,569	55,839	15,730
Artwork	57,900		57,900
Automotive equipment			467
	<u>1,566,538</u>	<u>729,980</u>	<u>836,558</u>
			<u>900,865</u>

### 8 - INTANGIBLE ASSETS

	2018		2017
	Cost	Accumulated amortization	Net carrying amount
	\$	\$	\$
Computer software	900,852	847,543	53,309
Web site	73,041	60,228	12,813
	<u>973,893</u>	<u>907,771</u>	<u>66,122</u>
			<u>75,698</u>

# Breakfast Club of Canada

## Notes to Financial Statements

June 30, 2018

### 9 - LINE OF CREDIT

The Organization has an authorized line of credit of \$80,000 on credit cards. As at June 30, 2018, \$34,921 was used (none as at June 30, 2017).

### 10 - TRADE PAYABLES AND OTHER OPERATING LIABILITIES

	<u>2018</u>	<u>2017</u>
	\$	\$
Trade and other payables	190,634	176,399
Salaries and vacations payable	266,801	236,343
Benefits payable	<u>29,742</u>	<u>28,379</u>
	<u><u>487,177</u></u>	<u><u>441,121</u></u>

Government remittances total \$26,631 as at June 30, 2018 (\$25,343 as at June 30, 2017).

### 11 - OTHER DEFERRED CONTRIBUTIONS

	<u>2018</u>	<u>2017</u>
	\$	\$
Operating grants		
Balance, beginning of year	1,340,107	494,767
Amount recognized in operations	(1,474,458)	(656,586)
Amount received relating to the following year	<u>2,419,452</u>	<u>1,501,926</u>
Balance, end of year	<u><u>2,285,101</u></u>	<u><u>1,340,107</u></u>

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

### 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:

	<u>2018</u>	<u>2017</u>
	\$	\$
Leasehold improvements	261,237	261,237
Accumulated amortization	<u>(122,777)</u>	<u>(94,432)</u>
Balance, end of year	<u><u>138,460</u></u>	<u><u>166,805</u></u>
Furniture	4,607	4,607
Accumulated amortization	<u>(1,763)</u>	<u>(1,285)</u>
Balance, end of year	<u><u>2,844</u></u>	<u><u>3,322</u></u>
	<u><u>141,304</u></u>	<u><u>170,127</u></u>

# Breakfast Club of Canada

## Notes to Financial Statements

June 30, 2018

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### **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, to 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.

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 \$7,583,280 (\$5,664,669 as at June 30, 2017), have all been classified as financial assets measured at amortized cost.

### **14 - COMMITMENTS**

The Organization has entered into long-term lease agreements which call for lease payments of \$874,275 for the rental of office space, equipment and technical support.

The leases for office space expire at various dates between October 31, 2018 and June 30, 2023. The leases for equipment and technical support expire on various dates between November 28, 2018 and November 30, 2022.

Minimum lease payments for the next five years are \$196,582 in 2019, \$176,459 in 2020, \$175,274 in 2021 and 2022 and \$150,686 in 2023.

# Breakfast Club of Canada

## Notes to Financial Statements

June 30, 2018

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### **14 - COMMITMENTS (Continued)**

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	3,287,917
Value of food donations	3,378,850

# Breakfast Club of Canada

## Schedules

Year ended June 30, 2018

(Unaudited)

	<b>SCHEDULE A</b>	
	<u>2018</u>	<u>2017</u>
	\$	\$
<b>SALARIES</b>		
Administration	206,189	256,147
Development	1,245,677	1,057,954
Communications	605,540	494,378
Programs	2,124,777	2,201,185
Warehouse	298,512	283,087
	<u>4,480,695</u>	<u>4,292,751</u>
	<b>SCHEDULE B</b>	
	<u>2018</u>	<u>2017</u>
	\$	\$
<b>SUBCONTRACTING</b>		
Consultation – communications	29,619	38,669
Consultation – data processing and technical support	51,338	68,483
Translation, editing and graphic design	17,884	16,036
Other	103,851	102,040
	<u>202,692</u>	<u>225,228</u>