

**Breakfast Club of Canada**  
**Financial Statements**  
**June 30, 2017**

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# Raymond Chabot Grant Thornton

## Independent Auditor's Report

To the Directors of  
Breakfast Club of Canada

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We have audited the accompanying financial statements of Breakfast Club of Canada, which comprise the statement of financial position as at June 30, 2017 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, 2017 and 2016, current assets as at June 30, 2017 and 2016 and net assets as at July 1, 2016 and 2015 and June 30, 2017 and 2016. Our opinion on the financial statements for the year ended June 30, 2016 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, 2017, 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 28, 2017

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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, 2017

	2017	2016
	\$	\$
<b>Revenues</b>		
Contributions		
Donations and annual fund-raising campaign (Note 4)	11,726,434	11,728,696
Donations – goods and services (Note 4)	2,695,297	3,160,382
Government grants (Note 4)	854,508	626,132
Breakfast parents' contributions	414,944	400,769
Interest income	34,771	24,175
Amortization of deferred contributions related to tangible capital assets and intangible assets	29,103	294,500
Loss on write-off of deferred contributions relating to tangible capital assets	50,628	
Other revenues	3,263	20,379
	<u>15,808,948</u>	<u>16,255,033</u>
<b>Expenses</b>		
Grants	3,819,453	3,413,254
Salaries	4,292,751	4,117,250
Small equipment	69,401	69,998
Food purchase and supply costs	1,227,761	1,001,141
Repairs and maintenance	35,750	36,582
Advertising, promotion and communications	688,350	522,950
Supplies and office expenses	73,701	102,756
Telecommunications	133,271	126,905
Rental expenses	326,224	330,336
Insurance	15,878	15,760
Heating and utilities	22,446	42,622
Professional fees	104,043	144,947
Subcontracting	225,228	213,049
Interest and bank charges	31,507	39,176
Travel expenses and representation fees	333,018	317,626
Amortization of tangible capital assets	133,344	155,118
Amortization of intangible assets	50,355	344,121
Information technology expenses	44,614	54,072
Training and recruitment	17,784	12,161
Loss on disposal of tangible capital assets	2,364	10,481
Loss on write-off of tangible capital assets	55,568	
School monitoring	766,055	786,290
Food donations and equipment – schools	2,462,619	2,965,839
Other expenses	31,284	68,148
	<u>14,962,769</u>	<u>14,890,582</u>
<b>Excess of revenues over expenses</b>	<b>846,179</b>	<b>1,364,451</b>
Net assets, beginning of year	4,245,127	2,880,676
Net assets, end of year	<u>5,091,306</u>	<u>4,245,127</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, 2017

	<u>2017</u>	<u>2016</u>
	\$	\$
<b>OPERATING ACTIVITIES</b>		
Excess of revenues over expenses	846,179	1,364,451
Non-cash items		
Amortization of tangible capital assets	133,344	155,118
Amortization of intangible assets	50,355	344,121
Amortization of deferred contributions related to tangible capital assets and intangible assets	(29,103)	(294,500)
Loss on disposal of tangible capital assets	2,364	10,481
Loss on write-off of tangible capital assets	55,568	
Loss on write-off of deferred contributions relating to tangible capital assets	(50,628)	
Net change in working capital items and other deferred contributions (Note 5)	<u>876,408</u>	<u>319,067</u>
Cash flows from operating activities	<u>1,884,487</u>	<u>1,898,738</u>
<b>INVESTING ACTIVITIES</b>		
Acquisition of tangible capital assets	(67,838)	(160,548)
Disposal of tangible capital assets	2,229	6,004
Acquisition of intangible assets	<u>(34,825)</u>	
Cash flows from investing activities	<u>(100,434)</u>	<u>(154,544)</u>
<b>FINANCING ACTIVITIES</b>		
Increase of deferred contributions and cash flows from financing activities		<u>1,512</u>
<b>Net increase in cash and cash equivalents</b>	<u>1,784,053</u>	<u>1,745,706</u>
Cash and cash equivalents, beginning of year	<u>3,659,172</u>	<u>1,913,466</u>
Cash and cash equivalents, end of year	<u>5,443,225</u>	<u>3,659,172</u>

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

**Breakfast Club of Canada**  
**Financial Position**  
 June 30, 2017

	<u>2017</u>	<u>2016</u>
	\$	\$
<b>ASSETS</b>		
Current		
Cash and cash equivalents	5,443,225	3,659,172
Trade and other receivables (Note 6)	317,931	389,546
Inventory	159,117	138,960
Prepaid expenses	<u>145,825</u>	<u>98,595</u>
	6,066,098	4,286,273
Long-term		
Tangible capital assets (Note 7)	900,866	1,026,532
Intangible assets (Note 8)	<u>75,698</u>	<u>91,228</u>
	<u>7,042,661</u>	<u>5,404,033</u>
<b>LIABILITIES</b>		
Current		
Trade payables and other operating liabilities (Note 10)	441,121	414,281
Other deferred contributions (Note 11)	<u>1,340,107</u>	<u>494,767</u>
	1,781,228	909,048
Long-term		
Deferred contributions related to tangible capital assets and intangible assets (Note 12)	<u>170,127</u>	<u>249,858</u>
	1,951,355	1,158,906
<b>NET ASSETS</b>		
Unrestricted	<u>5,091,306</u>	<u>4,245,127</u>
	<u>7,042,661</u>	<u>5,404,033</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, 2017

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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, 2017

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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 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, 2017

### 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:

- 1) They have reached 35% of the maximum allowable under the Quebec Pension Plan during the previous year's earnings;
- 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 2017 consisting of cash contributed by the Organization to its defined contribution pension plan amounted to \$86,573 (\$83,408 in 2016).

# Breakfast Club of Canada

## Notes to Financial Statements

June 30, 2017

### 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>2017</u>	<u>2016</u>
	\$	\$
Travel expenses and representation fees	95,394	72,329
Food donations	2,482,063	3,056,064
Advertising, promotion and communications	49,938	11,303
Other	67,902	20,686
	<u>2,695,297</u>	<u>3,160,382</u>

### 4 - CONTRIBUTIONS

	<u>2017</u>	<u>2016</u>
	\$	\$
Donations and annual fund-raising campaign		
Individuals	4,696,846	2,393,918
Businesses	5,090,072	6,079,021
Foundations	1,939,516	3,255,757
	<u>11,726,434</u>	<u>11,728,696</u>
Donations – goods and services		
Businesses	2,675,297	3,033,923
Foundations	20,000	126,459
	<u>2,695,297</u>	<u>3,160,382</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	100,000
Ville de Montréal	221,663	
Health Canada	200,000	245,127
RRSSS Nunavik	285,345	281,005
	<u>854,508</u>	<u>626,132</u>

# Breakfast Club of Canada

## Notes to Financial Statements

June 30, 2017

### 5 - INFORMATION INCLUDED IN CASH FLOWS

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

	2017	2016
	\$	\$
Trade and other receivables	71,615	104,851
Inventory	(20,157)	(32,530)
Prepaid expenses	(47,230)	15,851
Trade payables and other operating liabilities	26,840	47,283
Other deferred contributions	845,340	183,612
	<u>876,408</u>	<u>319,067</u>

### 6 - TRADE AND OTHER RECEIVABLES

	2017	2016
	\$	\$
Contributions receivable	117,468	273,814
Sales taxes receivable	96,487	110,545
Other receivables	3,976	5,187
Government grant receivable	100,000	
	<u>317,931</u>	<u>389,546</u>

### 7 - TANGIBLE CAPITAL ASSETS

	2017		2016	
	Cost	Accumulated amortization	Net carrying amount	Net carrying amount
	\$	\$	\$	\$
Furniture	136,393	53,330	83,063	109,882
Computer equipment	126,024	106,868	19,156	7,896
Leasehold improvements	498,173	140,455	357,718	398,048
Equipment – schools	554,568	214,544	340,024	398,476
Equipment – warehouse	46,752	26,687	20,065	25,081
Equipment – telecommunications	71,569	49,097	22,472	28,581
Artwork	57,900		57,900	57,900
Automotive equipment	1,948	1,481	467	668
	<u>1,493,327</u>	<u>592,462</u>	<u>900,865</u>	<u>1,026,532</u>

### 8 - INTANGIBLE ASSETS

	2017		2016	
	Cost	Accumulated amortization	Net carrying amount	Net carrying amount
	\$	\$	\$	\$
Computer software	898,688	822,990	75,698	71,146
Web site	60,228	60,228		20,082
	<u>958,916</u>	<u>883,218</u>	<u>75,698</u>	<u>91,228</u>

# Breakfast Club of Canada

## Notes to Financial Statements

June 30, 2017

### 9 - LINE OF CREDIT

The Organization has an authorized line of credit of \$80,000 on credit cards. As at June 30, 2017, no amount was used (\$15,978 as at June 30, 2016).

### 10 - TRADE PAYABLES AND OTHER OPERATING LIABILITIES

	2017	2016
	\$	\$
Trade and other payables	176,399	199,361
Salaries and vacations payable	236,343	189,162
Benefits payable	28,379	25,758
	<u>441,121</u>	<u>414,281</u>

Government remittances total \$25,343 as at June 30, 2017 (\$35,685 as at June 30, 2016).

### 11 - OTHER DEFERRED CONTRIBUTIONS

	2017	2016
	\$	\$
Operating grants		
Balance, beginning of year	494,767	311,155
Amount recognized in operations	(656,586)	(296,155)
Amount received relating to the following year	1,501,926	479,767
Balance, end of year	<u>1,340,107</u>	<u>494,767</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:

	2017	2016
	\$	\$
Leasehold improvements	261,237	305,484
Accumulated amortization	(94,432)	(74,655)
Balance, end of year	<u>166,805</u>	<u>230,829</u>
Furniture	4,607	23,644
Accumulated amortization	(1,285)	(4,615)
Balance, end of year	<u>3,322</u>	<u>19,029</u>
	<u>170,127</u>	<u>249,858</u>

# Breakfast Club of Canada

## Notes to Financial Statements

June 30, 2017

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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 \$5,664,669 (\$3,938,173 as at June 30, 2016) 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 \$1,137,965 for the rental of office space, equipment and technical support.

The leases for office space expire at various dates between June 30, 2018 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 \$289,471 in 2018, \$192,955 in 2019, \$169,975 in 2020 and \$168,790 in 2021 and 2022.

**Breakfast Club of Canada**  
**Notes to Financial Statements**  
June 30, 2017

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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	3,433,690
Value of food donations	2,624,160

# Breakfast Club of Canada Schedules

Year ended June 30, 2017

(Unaudited)

## SCHEDULE A

	<u>2017</u>	<u>2016</u>
	\$	\$
<b>SALARIES</b>		
Administration	256,147	207,764
Development	1,057,954	1,059,845
Communications	494,378	407,803
Programs	2,201,185	2,140,784
Warehouse	<u>283,087</u>	<u>301,054</u>
	<u>4,292,751</u>	<u>4,117,250</u>

## SCHEDULE B

	<u>2017</u>	<u>2016</u>
	\$	\$
<b>SUBCONTRACTING</b>		
Consultation – communications	38,669	64,493
Consultation – data processing and technical support	68,483	94,390
Translation, editing and graphic design	16,036	8,215
Other	<u>102,040</u>	<u>45,951</u>
	<u>225,228</u>	<u>213,049</u>