

Breakfast Club of Canada

Financial Statements

June 30, 2024

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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, 2024, 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, 2024, 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 Chabot Grant Thornton LLP¹

Montréal
October 8, 2024

¹ CPA auditor, public accountancy permit no. A119564

Breakfast Club of Canada

Operations

Year ended June 30, 2024

(In thousands of dollars)

	<u>2024</u>	<u>2023</u>
	\$	\$
Revenues		
Contributions		
Donations and annual fundraising campaign (Note 4)	21,124	18,571
Federal government grants – Emergency Food Security Fund	–	1,261
Other government grants (Note 4)	13,566	14,362
Donations – goods and services (Notes 3 and 4)	4,607	5,659
Interest income	1,162	1,041
Other revenues	3	10
	<u>40,462</u>	<u>40,904</u>
Expenses		
Grants to schools and other organizations	12,345	12,128
Food and supplies – schools	14,334	14,266
Salaries and benefits	8,673	8,122
Marketing and communications	1,857	1,160
Consulting fees	1,127	816
School monitoring	1,102	1,161
Depreciation of tangible capital assets	224	219
Amortization of intangible assets	228	309
Other operating expenses	1,828	1,957
	<u>41,718</u>	<u>40,138</u>
Excess (deficiency) of revenues over expenses	<u>(1,256)</u>	<u>766</u>

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

Breakfast Club of Canada

Changes in Net Assets

Year ended June 30, 2024

(In thousands of dollars)

	2024			2023
	Internally restricted	Unrestricted	Total	Total
	\$	\$	\$	\$
Balance, beginning of year	15,000	3,749	18,749	17,983
Excess (deficiency) of revenues over expenses	—	(1,256)	(1,256)	766
Balance, end of year	15,000	2,493	17,493	18,749

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

Breakfast Club of Canada

Cash Flows

Year ended June 30, 2024

(In thousands of dollars)

	<u>2024</u>	<u>2023</u>
	\$	\$
OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenses	(1,256)	766
Non-cash items		
Depreciation of tangible capital assets	228	246
Amortization of intangible capital assets	228	309
Amortization of deferred contributions related to tangible and intangible capital assets	(4)	(27)
Net change in working capital items (Note 5)	2,749	(9,790)
Cash flows from operating activities	<u>1,945</u>	<u>(8,496)</u>
INVESTING ACTIVITIES		
Acquisition of tangible capital assets	(83)	(54)
Acquisition of investments and term deposits	(15,198)	—
Acquisition of intangible assets	(243)	(48)
Increase in deferred contributions related to tangible and intangible capital assets	—	94
Cash flows from investing activities	<u>(15,524)</u>	<u>(8)</u>
Net decrease in cash and cash equivalents	(13,579)	(8,504)
Cash and cash equivalents, beginning of year	<u>25,259</u>	<u>33,763</u>
Cash and cash equivalents, end of year	<u><u>11,680</u></u>	<u><u>25,259</u></u>
CASH AND CASH EQUIVALENTS		
Cash	2,232	2,419
Term deposits	<u>9,448</u>	<u>22,840</u>
	<u><u>11,680</u></u>	<u><u>25,259</u></u>

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

Breakfast Club of Canada

Financial Position

June 30, 2024

(In thousands of dollars)

	2024	2023
	\$	\$
ASSETS		
Current		
Cash and cash equivalents	11,680	25,259
Investments (Note 6)	7,198	—
Contributions and other receivables (Note 7)	700	1,106
Inventory	366	346
Prepaid expenses	362	250
	<u>20,306</u>	<u>26,961</u>
Long-term		
Investments (Note 6)	8,000	—
Tangible capital assets (Note 8)	358	503
Intangible assets (Note 9)	269	254
	<u>28,933</u>	<u>27,718</u>
LIABILITIES		
Current		
Trade payables and other operating liabilities (Note 11)	1,281	1,112
Other deferred contributions (Note 12)	10,068	7,762
	<u>11,349</u>	<u>8,874</u>
Long-term		
Deferred contributions related to tangible and intangible capital assets (Note 13)	91	95
	<u>11,440</u>	<u>8,969</u>
NET ASSETS		
Internally restricted (Note 14)	15,000	15,000
Unrestricted	2,493	3,749
	<u>17,493</u>	<u>18,749</u>
	<u>28,933</u>	<u>27,718</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, 2024

(In dollars, except amounts in the tables which are 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 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 - 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, with the exception of investments in mutual funds that are measured at fair value, 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, 2024

(In dollars, except amounts in the tables which are in thousands of dollars)

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 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.

Investment income

Interest income is recognized on a time apportionment basis whereas revenue from mutual funds is recognized upon distribution. Changes in fair value are recognized when they occur.

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.

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.

Breakfast Club of Canada

Notes to Financial Statements

June 30, 2024

(In dollars, except amounts in the tables which are in thousands of dollars)

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:

	Methods	Rates
Furniture	Straight-line	10%
Computer equipment, software and website	Straight-line	33.33%
Leasehold improvements	Straight-line over the lease term	Until 2026
Equipment – schools	Straight-line	10%
Equipment – warehouse	Diminishing	20%
Equipment – telecommunications	Diminishing	30%

Write-down

When conditions indicate that the value of 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.

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 or Canada Pension Plan during the previous year; or
- 2) They have worked 700 hours during the previous year.

Employee contributions vary between 1% and 4% 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 2024, consisting of cash contributed by the Organization to its defined contribution pension plan, amount to \$218,538 (\$151,815 in 2023).

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Notes to Financial Statements

June 30, 2024

(In dollars, except amounts in the tables which are in thousands of dollars)

3 - INFORMATION INCLUDED IN OPERATIONS

Donations – goods and services

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

	2024	2023
	\$	\$
Food donations	4,319	5,313
Other goods	99	242
Services	189	104
	<u>4,607</u>	<u>5,659</u>

4 - CONTRIBUTIONS

	2024	2023
	\$	\$
Donations and annual fundraising campaigns		
Businesses	14,073	13,277
Individuals		
Bequests	503	1,131
Other	1,290	1,164
Foundations	5,258	2,999
	<u>21,124</u>	<u>18,571</u>
Other government grants		
Ministère de l'Éducation et Ministère de l'Enseignement supérieur	11,525	11,439
Ministère de la Famille	428	405
Indigenous Services Canada	200	200
Secrétariat aux relations avec les Premières Nations et les Inuit	480	840
Nunavik Regional Board of Health and Social Services	871	746
City of Montréal	–	682
Other	62	50
	<u>13,566</u>	<u>14,362</u>
Donations – goods and services		
Businesses	4,480	4,471
Foundations	127	1,188
	<u>4,607</u>	<u>5,659</u>

Breakfast Club of Canada

Notes to Financial Statements

June 30, 2024

(In dollars, except amounts in the tables which are in thousands of dollars)

5 - INFORMATION INCLUDED IN CASH FLOWS

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

	2024	2023
	\$	\$
Contributions and other receivables	406	(551)
Inventory	(20)	84
Prepaid expenses	(112)	61
Trade payables and other operating liabilities	169	175
Other deferred contributions	2,306	(9,559)
	<u>2,749</u>	<u>(9,790)</u>

6 - INVESTMENTS

	2024	2023
	\$	\$
Current		
Term deposits, 5.24%	5,000	—
Mutual funds – money market	2,198	—
	<u>7,198</u>	<u>—</u>
Long-term		
Term deposits, 5.1% to 5.28%	8,000	—

7 - CONTRIBUTIONS AND OTHER RECEIVABLES

	2024	2023
	\$	\$
Sales taxes receivable	129	115
Contributions receivable	571	991
	<u>700</u>	<u>1,106</u>

8 - TANGIBLE CAPITAL ASSETS

	2024			2023
	Cost	Accumulated amortization	Net carrying amount	Net carrying amount
	\$	\$	\$	\$
Furniture	143	123	20	28
Computer equipment	361	304	57	86
Leasehold improvements	946	855	91	166
Equipment – schools	336	336	–	–
Equipment – warehouse	300	170	130	162
Equipment – telecommunications	72	70	2	3
Artwork	58	–	58	58
	2,216	1,858	358	503

Breakfast Club of Canada

Notes to Financial Statements

June 30, 2024

(In dollars, except amounts in the tables which are in thousands of dollars)

9 - INTANGIBLE ASSETS

	2024		2023
	Cost	Accumulated amortization	Net carrying amount
	\$	\$	\$
Intangible assets subject to amortization			
Computer software	1,237	1,100	137
Website	136	4	132
	1,373	1,104	269

10 - LINE OF CREDIT

The Organization has a line of credit in the form of credit cards for an authorized amount of \$150,000. As at June 30, 2024, there was an amount of \$8,229 outstanding (\$7,032 as at June 30, 2023) which is included in trade and other payables.

11 - TRADE PAYABLES AND OTHER OPERATING LIABILITIES

	2024	2023
	\$	\$
Trade and other payables	407	297
Salaries and vacations payable	784	710
Benefits payable	90	105
	1,281	1,112

The liability for government remittances totals \$89,764 as at June 30, 2024 (\$99,776 as at June 30, 2023).

12 - OTHER DEFERRED CONTRIBUTIONS

	2024	2023
	\$	\$
Operating grants		
Balance, beginning of year	7,762	17,321
Amount received	21,964	8,068
Amount recognized in operations	(19,765)	(17,744)
Food donations and equipment not distributed	107	117
Balance, end of year	10,068	7,762

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, 2024

(In dollars, except amounts in the tables which are in thousands of dollars)

13 - DEFERRED CONTRIBUTIONS RELATED TO TANGIBLE AND INTANGIBLE CAPITAL ASSETS

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

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

	2024	2023
	\$	\$
Leasehold improvements	261	261
Accumulated depreciation	(261)	(261)
Balance, end of year	—	—
Furniture	—	5
Accumulated depreciation	—	(4)
Balance, end of year	—	1
Website	94	94
Accumulated amortization	(3)	—
Balance, end of year	91	94
	91	95

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 ensure that, for any significant unforeseen events, the Organization's nutrition programs and services could continue and that the Organization will have sufficient time to put a contingency plan in place to stabilize the situation. Should circumstances warrant the use of these funds, these funds will become available subject to approval from the Board of Directors.

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.

Breakfast Club of Canada

Notes to Financial Statements

June 30, 2024

(In dollars, except amounts in the tables which are in thousands of dollars)

15 - FINANCIAL RISKS (Continued)

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 investments in 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.

Mutual fund investments indirectly expose the Organization to interest rate risk.

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 total lease payments of \$2,073,640 for the rental of office and warehouse space, and equipment and technical support.

The leases for offices and warehouse space expire at various dates between October 31, 2026 and January 31, 2030. The leases for equipment and technical support expire on various dates between December 1, 2024 and December 31, 2028.

Minimum lease payments for the next five years are \$405,392 in 2025, \$416,049 in 2026, \$381,526 in 2027, \$369,498 in 2028 and \$376,549 in 2029.

As at June 30, 2024, 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	8,101
Service, furniture and food donations	20,412
	<u>28,513</u>