

Breakfast Club of Canada

Financial Statements June 30, 2021

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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, 2021, 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 policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at June 30, 2021, 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
September 16, 2021

¹ CPA auditor, CA public accountancy permit no. A119564

Breakfast Club of Canada Operations

Year ended June 30, 2021

	2021	2020
	\$	\$
Revenues		
Contributions		
Donations and annual fund-raising campaigns (Note 5)	17,831,137	15,420,909
Federal government grants – Emergency Food Security Fund (Note 2)	22,846,521	5,000,000
Other government grants (Note 5)	9,117,860	9,460,283
Donations – Goods and services (Notes 4 and 5)	3,560,979	4,363,826
Interest income	177,056	165,853
Other revenues	503	38,763
	<u>53,534,056</u>	<u>34,449,634</u>
Expenses		
Grants to schools and other organizations	25,414,782	13,748,442
Salaries and benefits	5,973,231	5,346,362
Food purchase and supply costs	6,761,394	5,988,150
Food donations and supplies – Schools	3,617,553	4,251,177
Subcontracting	672,125	769,578
School monitoring	943,101	682,037
Advertising, promotion and communications	1,217,296	562,552
Small equipment	530,695	154,245
Repairs and maintenance	36,491	64,491
Supplies and office expenses	82,044	66,823
Telecommunications	76,759	87,265
Rental expenses	426,351	421,121
Insurance	17,402	13,932
Heating and utilities	46,994	16,345
Professional fees	67,918	65,743
Interest and bank charges	92,490	87,234
Travel expenses and representation fees	29,781	175,861
Amortization of tangible capital assets	284,217	188,983
Amortization of intangible assets	165,100	74,336
Information technology expenses	136,970	90,359
Training and recruitment	118,407	72,968
Loss on write-off of tangible capital assets	57,847	13,065
Loss on write-off of intangible assets	–	3,547
Other expenses	19,416	9,777
	<u>46,788,364</u>	<u>32,954,393</u>
Excess of revenues over expenses	<u><u>6,745,692</u></u>	<u><u>1,495,241</u></u>

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

Breakfast Club of Canada

Changes in Net Assets

Year ended June 30, 2021

			2021	2020
	Internally restricted	Unrestricted	Total	Total
	\$	\$	\$	
Balance, beginning of year	-	8,230,684	8,230,684	6,735,443
Excess of revenues over expenses	-	6,745,692	6,745,692	1,495,241
Internal restriction (Note 14)	<u>12,000,000</u>	<u>(12,000,000)</u>	-	-
Balance, end of year	<u><u>12,000,000</u></u>	<u><u>2,976,376</u></u>	<u><u>14,976,376</u></u>	<u><u>8,230,684</u></u>

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

Breakfast Club of Canada

Cash Flows

Year ended June 30, 2021

	<u>2021</u>	<u>2020</u>
	\$	\$
OPERATING ACTIVITIES		
Excess of revenues over expenses	6,745,692	1,495,241
Non-cash items		
Amortization of tangible capital assets	284,217	188,983
Amortization of intangible assets	165,100	74,336
Loss on disposal of tangible capital assets	-	-
Loss on write-off of tangible capital assets	57,847	13,065
Loss on write-off of intangible assets	-	3,547
Net change in working capital items (Note 6)	<u>5,469,654</u>	<u>2,790,116</u>
Cash flows from operating activities	<u>12,722,510</u>	<u>4,565,288</u>
INVESTING ACTIVITIES		
Acquisition of tangible capital assets	(261,082)	(473,160)
Disposal of tangible capital assets	-	2,050
Acquisition of intangible assets	<u>(556,471)</u>	<u>(103,568)</u>
Cash flows from investing activities	<u>(817,553)</u>	<u>(574,678)</u>
Net increase in cash and cash equivalents	11,904,957	3,990,610
Cash and cash equivalents, beginning of year	<u>20,810,427</u>	<u>16,819,817</u>
Cash and cash equivalents, end of year	<u>32,715,384</u>	<u>20,810,427</u>
CASH AND CASH EQUIVALENTS, END OF YEAR		
Cash	2,749,344	8,234,220
Term deposits	<u>29,966,040</u>	<u>12,576,207</u>
	<u>32,715,384</u>	<u>20,810,427</u>

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

Breakfast Club of Canada

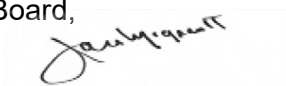
Financial Position

June 30, 2021

	2021	2020
	\$	\$
ASSETS		
Current		
Cash and cash equivalents	32,715,384	20,810,427
Contributions and other receivables (Note 7)	834,102	188,406
Inventory	410,892	186,140
Prepaid expenses	219,875	208,246
	<u>34,180,253</u>	<u>21,393,219</u>
Long-term		
Tangible capital assets (Note 8)	954,167	1,063,302
Intangible assets (Note 9)	578,053	186,682
	<u>35,712,473</u>	<u>22,643,203</u>
LIABILITIES		
Current		
Trade payables and other operating liabilities (Note 11)	885,455	2,513,914
Other deferred contributions (Note 12)	19,793,794	11,813,604
	<u>20,679,249</u>	<u>14,327,518</u>
Long-term		
Deferred contributions related to tangible capital assets (Note 13)	56,848	85,001
	<u>20,736,097</u>	<u>14,412,519</u>
NET ASSETS		
Internally restricted (Note 14)	12,000,000	-
Unrestricted	2,976,376	8,230,684
	<u>35,712,473</u>	<u>22,643,203</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, 2021

1 - GOVERNING STATUTES AND PURPOSE OF THE ORGANIZATION

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

2 - IMPACTS RESULTING FROM THE COVID-19 PANDEMIC

The declaration of the COVID-19 pandemic in March 2020 and the many measures implemented by federal, provincial, territorial and municipal governments to protect the population have had an impact on the Organization's activities. Most notably, these measures led to a significant increase of contributions from the federal, provincial and territorial governments, foundations and corporations to enable the Organization to help children affected by this crisis. During the year, the Organization entered into agreements with the Government of Canada for contributions from the Emergency Food Security Fund totalling \$20,882,125 (\$11,250,000 in 2020). As at June 30, 2021, the Organization received total contributions of \$32,132,125 and an amount of \$27,846,521 was distributed (\$22,846,521 in 2021 and \$5,000,000 in 2020). This crisis is likely to lead to significant changes in assets or liabilities in the next fiscal year and to have a significant impact on the operations of the Organization in the future.

3 - SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

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

Accounting estimates

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

Financial assets and liabilities

Initial measurement

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

Breakfast Club of Canada

Notes to Financial Statements

June 30, 2021

3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent measurement

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

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

Revenue recognition

Contributions

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

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

Cash and cash equivalents

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

Inventory

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

Breakfast Club of Canada

Notes to Financial Statements

June 30, 2021

3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Tangible capital assets and intangible assets

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

Amortization

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

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

Write-down

When conditions indicate that 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 Pension Plan during the previous year; or
- 2) They have worked 700 hours during the previous year.

Breakfast Club of Canada

Notes to Financial Statements

June 30, 2021

3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Total cash payments

Total cash payments for employee future benefits for 2021, consisting of cash contributed by the Organization to its defined contribution pension plan, amounted to \$112,079 (\$101,414 in 2020).

4 - 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:

	<u>2021</u>	<u>2020</u>
	\$	\$
Food donations	3,534,832	4,020,390
Other goods	25,180	288,645
Services	967	54,791
	<u>3,560,979</u>	<u>4,363,826</u>

5 - CONTRIBUTIONS

	<u>2021</u>	<u>2020</u>
	\$	\$
Donations and annual fundraising campaigns		
Businesses	14,114,208	8,215,904
Individuals	1,132,713	3,633,138
Foundations	2,584,216	3,571,867
	<u>17,831,137</u>	<u>15,420,909</u>
Other government grants		
Quebec provincial	8,118,108	7,070,950
Other federal grants	349,889	1,125,000
Nunavik Regional Board of Health and Social Services	243,950	748,583
City of Montréal	405,913	515,750
	<u>9,117,860</u>	<u>9,460,283</u>
Donations – Goods and services		
Businesses	3,558,303	4,020,389
Foundations	2,676	343,437
	<u>3,560,979</u>	<u>4,363,826</u>

Breakfast Club of Canada

Notes to Financial Statements

June 30, 2021

6 - INFORMATION INCLUDED IN CASH FLOWS

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

	2021	2020
	\$	\$
Contributions and other receivables	(645,696)	176,598
Inventory	(224,752)	108,974
Prepaid expenses	(11,629)	(90,258)
Trade payables and other operating liabilities	(1,628,459)	1,916,359
Other deferred contributions	7,980,190	690,368
Deferred revenues	-	(11,925)
	<u>5,469,654</u>	<u>2,790,116</u>

7 - CONTRIBUTIONS AND OTHER RECEIVABLES

	2021	2020
	\$	\$
Sales taxes receivable	172,710	186,132
Other contributions receivable	32,533	2,274
Quebec provincial government grant receivable	628,859	-
	<u>834,102</u>	<u>188,406</u>

8 - TANGIBLE CAPITAL ASSETS

	2021		2020	
	Cost	Accumulated amortization	Net carrying amount	Net carrying amount
	\$	\$	\$	\$
Furniture	146,444	92,748	53,696	67,088
Computer equipment	368,343	231,266	137,077	131,352
Leasehold improvements	896,260	484,308	411,952	392,543
Equipment – Schools	352,942	260,888	92,054	179,669
Equipment – Warehouse	263,913	67,827	196,086	227,033
Equipment – Telecommunications	71,569	66,167	5,402	7,717
Artwork	57,900	-	57,900	57,900
	<u>2,157,371</u>	<u>1,203,204</u>	<u>954,167</u>	<u>1,063,302</u>

9 - INTANGIBLE ASSETS

	2021		2020	
	Cost	Accumulated amortization	Net carrying amount	Net carrying amount
	\$	\$	\$	\$
Intangible assets subject to amortization				
Computer software	809,964	258,292	551,672	140,516
Website	59,356	32,975	26,381	46,166
	<u>869,320</u>	<u>291,267</u>	<u>578,053</u>	<u>186,682</u>

Breakfast Club of Canada

Notes to Financial Statements

June 30, 2021

10 - LINE OF CREDIT

The Organization has a line of credit in the form of credit cards for an authorized amount of \$80,000. As at June 30, 2021, there was a balance of \$38,728 outstanding (no balance outstanding as at June 30, 2020).

11 - TRADE PAYABLES AND OTHER OPERATING LIABILITIES

	<u>2021</u>	<u>2020</u>
	\$	\$
Trade and other payables	408,150	2,112,546
Salaries and vacations payable	411,229	351,213
Benefits payable	66,076	50,155
	<u>885,455</u>	<u>2,513,914</u>

The liability for government remittances totals \$59,624 as at June 30, 2021 (\$44,127 as at June 30, 2020).

12 - OTHER DEFERRED CONTRIBUTIONS

	<u>2021</u>	<u>2020</u>
	\$	\$
Operating grants		
Balance, beginning of year	11,813,604	11,123,236
Amount received	44,305,403	19,114,955
Amount receivable	628,859	-
Amount recognized in operations	(37,073,372)	(18,484,741)
Food donations and equipment not distributed	119,300	60,154
Balance, end of year	<u>19,793,794</u>	<u>11,813,604</u>

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

13 - DEFERRED CONTRIBUTIONS RELATED TO TANGIBLE CAPITAL ASSETS

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

Breakfast Club of Canada

Notes to Financial Statements

June 30, 2021

13 - DEFERRED CONTRIBUTIONS RELATED TO TANGIBLE CAPITAL ASSETS (Continued)

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

	2021	2020
	\$	\$
Leasehold improvements	261,237	261,237
Accumulated amortization	(205,850)	(178,218)
Balance, end of year	<u>55,387</u>	<u>83,019</u>
Furniture	4,606	4,607
Accumulated amortization	(3,145)	(2,625)
Balance, end of year	<u>1,461</u>	<u>1,982</u>
	<u><u>56,848</u></u>	<u><u>85,001</u></u>

14 - INTERNALLY RESTRICTED NET ASSETS

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

Market risk

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

Interest rate risk

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

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

Breakfast Club of Canada

Notes to Financial Statements

June 30, 2021

15 - FINANCIAL RISKS (Continued)

Liquidity risk

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

16 - COMMITMENTS

The Organization has entered into long-term lease agreements which call for lease payments of \$876,652 for the rental of office and warehouse space, and equipment and technical support.

The leases for office and warehouse space expire at various dates between October 31, 2021 and January 31, 2025. The leases for equipment and technical support expire on various dates between November 30, 2022 and December 1, 2024.

Minimum lease payments for the next four years are \$322,659 in 2022, \$307,305 in 2023, \$157,778 in 2024 and \$88,910 in 2025.

As at June 30, 2021, the Organization was committed to disbursing contributions to schools across Canada for the opening and development of breakfast clubs and to offer emergency support for the crisis caused by the COVID-19 pandemic 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	929,610
Service, furniture and food donations	<u>5,341,500</u>
	<u><u>6,271,110</u></u>