

Breakfast Club of Canada
Financial Statements
June 30, 2025

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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, 2025, 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, 2025, 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, 2025

¹ CPA auditor, public accountancy permit no. A119564

Breakfast Club of Canada

Operations

Year ended June 30, 2025

(In thousands of dollars)

	2025	2024
	\$	\$
Revenues		
Contributions		
Donations and annual fundraising campaigns (Note 5)	21,409	21,124
Other government grants (Note 5)	16,763	13,566
Donations – supplies and services (Notes 4 and 5)	5,978	4,607
Interest income	1,031	1,162
Other	188	3
	<u>45,369</u>	<u>40,462</u>
Expenses		
Food and supplies – schools	17,182	14,334
Grants to schools and other organizations	13,427	12,345
Salaries and benefits	9,160	8,673
Marketing and communications	1,924	1,857
Consulting fees	1,277	1,127
School monitoring	1,151	1,102
Rent and office	676	700
Information technology	392	364
Travel and representation	303	325
Professional fees	275	113
Training and recruitment	212	181
Interest and bank charges	183	145
Depreciation of tangible capital assets	133	224
Amortization of intangible assets	73	228
Loss on disposal of intangible assets	103	–
	<u>46,471</u>	<u>41,718</u>
Deficiency of revenues over expenses	<u>(1,102)</u>	<u>(1,256)</u>

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

Breakfast Club of Canada

Changes in Net Assets

Year ended June 30, 2025

(In thousands of dollars)

	<u>2025</u>		<u>2024</u>
	<u>Internally restricted</u>	<u>Unrestricted</u>	<u>Total</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>
Balance, beginning of year	15,000	2,493	17,493
Deficiency of revenues over expenses	–	(1,102)	(1,102)
Internal restriction transfer (Note 15)	(3,000)	3,000	–
Balance, end of year	12,000	4,391	16,391

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

Breakfast Club of Canada

Cash Flows

Year ended June 30, 2025

(In thousands of dollars)

	<u>2025</u>	<u>2024</u>
	\$	\$
OPERATING ACTIVITIES		
Deficiency of revenues over expenses	(1,102)	(1,256)
Non-cash items		
Depreciation of tangible capital assets	133	228
Amortization of intangible assets	73	228
Amortization of deferred contributions related to tangible and intangible capital assets	(45)	(4)
Loss on disposal of intangible assets	103	—
Net change in working capital items (Note 6)	<u>(1,378)</u>	<u>2,749</u>
Cash flows from operating activities	<u>(2,216)</u>	<u>1,945</u>
INVESTING ACTIVITIES		
Acquisition of tangible capital assets	(104)	(83)
Acquisition of investments and term deposits	—	(15,198)
Disposal of investments	2,408	—
Acquisition of intangible assets	(37)	(243)
Increase in deferred contributions related to tangible and intangible capital assets	<u>50</u>	<u>—</u>
Cash flows from investing activities	<u>2,317</u>	<u>(15,524)</u>
Net increase (decrease) in cash and cash equivalents	101	(13,579)
Cash and cash equivalents, beginning of year	<u>11,680</u>	<u>25,259</u>
Cash and cash equivalents, end of year	<u><u>11,781</u></u>	<u><u>11,680</u></u>
CASH AND CASH EQUIVALENTS		
Cash	1,979	2,232
Term deposits	<u>9,802</u>	<u>9,448</u>
	<u><u>11,781</u></u>	<u><u>11,680</u></u>

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

Breakfast Club of Canada

Financial Position

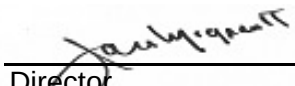
June 30, 2025

(In thousands of dollars)

	<u>2025</u>	<u>2024</u>
	\$	\$
ASSETS		
Current		
Cash and cash equivalents	11,781	11,680
Investments (Note 7)	9,000	7,198
Contributions and other receivables (Note 8)	910	700
Inventory	425	366
Prepaid expenses	463	362
	<u>22,579</u>	<u>20,306</u>
Long-term		
Investments (Note 7)	3,790	8,000
Tangible capital assets (Note 9)	329	358
Intangible assets (Note 10)	130	269
	<u>26,828</u>	<u>28,933</u>
LIABILITIES		
Current		
Trade payables and other operating liabilities (Note 12)	1,608	1,281
Other deferred contributions (Note 13)	8,733	10,068
	<u>10,341</u>	<u>11,349</u>
Long-term		
Deferred contributions related to tangible and intangible capital assets (Note 14)	96	91
	<u>10,437</u>	<u>11,440</u>
NET ASSETS		
Internally restricted (Note 15)	12,000	15,000
Unrestricted	4,391	2,493
	<u>16,391</u>	<u>17,493</u>
	<u>26,828</u>	<u>28,933</u>

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

On behalf of the Board,


Director

Jacques Mignault
Chair, Board of Directors


Director

Ron Margolis
Secretary, Board of Directors

Breakfast Club of Canada

Notes to Financial Statements

June 30, 2025

(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 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 - ACCOUNTING CHANGE

On July 1, 2024, the Organization adopted the recommendations of the new Accounting Guideline AcG-20, Customer's Accounting for Cloud Computing Arrangements, of Part II of the *CPA Canada Handbook – Accounting*, which provides guidance on the customer's accounting treatment of costs relating to a cloud computing arrangement and on how to determine whether the arrangement includes a software intangible asset.

In accordance with the new requirements, the Organization must elect one of the following options:

- Applying the simplification approach to recognize costs relating to cloud computing arrangements which are within the scope of AcG-20 and, accordingly, treat such costs as attributable to the provision of services and recognize them as expenses when the services are received; or
- Analyzing the cloud computing arrangement to determine whether the software element is a software intangible asset and, accordingly, recognizing it as an intangible asset in accordance with Section 3064, Goodwill and Intangible Assets, or as a software as a service (SaaS) and, accordingly, recognizing the related costs as expenses as incurred.

The Organization elected not to apply the simplification approach and, in accordance with its previous accounting policies, chose to include in the cost of the software intangible asset the costs related to implementation activities directly attributable to preparing the software element for its intended use when it meets the definition and criteria of recognition of an intangible asset. Previously, when the software element of the cloud computing arrangement did not qualify as a software intangible asset, costs related to implementation activities directly attributable to preparing the software element for its intended use were recognized as expenses as incurred. Now, the Organization has elected to capitalize such costs as an asset for SaaS implementation activities as a separate item identified as such in the statement of financial position, and to recognize them as expenses on a straight-line basis over the expected term of access to the SaaS. This asset is classified as a long-term asset, unless, when the cloud computing arrangement is entered into, the prescribed period of access to the SaaS is less than one year.

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Notes to Financial Statements

June 30, 2025

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

2 - ACCOUNTING CHANGE (Continued)

In accordance with the transitional provisions, these requirements, applicable to fiscal years beginning on or after January 1, 2024, have been applied retrospectively to:

- costs related to implementation activities incurred on or after July 1, 2024, under a cloud computing arrangement;
- previously recognized assets resulting from a cloud computing arrangement.

Application of these new recommendations did not have any impact on the Organization's financial statements.

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.

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).

Breakfast Club of Canada

Notes to Financial Statements

June 30, 2025

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

3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Net 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 valuation

Food and non-food products 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, 2025

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

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 estimated useful lives according to the following methods, annual rates and period:

	Methods	Rates and period
Furniture	Straight-line	10%
Computer equipment, software and website	Straight-line	33.33%
Leasehold improvements	Straight-line	Lease term, until 2026
Equipment – schools	Straight-line	10%
Equipment – warehouse	Diminishing balance	20%
Equipment – telecommunications	Diminishing balance	30%

Write-down

When conditions indicate that a tangible capital asset or 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.

Breakfast Club of Canada

Notes to Financial Statements

June 30, 2025

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

3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

- They have reached 35% of the maximum pensionable earnings under the Quebec Pension Plan during the previous year; or
- 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 2025, consisting of cash contributed by the Organization to its defined contribution pension plan, amount to \$253,883 (\$218,538 in 2024).

4 - INFORMATION INCLUDED IN OPERATIONS

Donations – supplies and services

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

	2025	2024
	\$	\$
Food donations	5,701	4,319
Supplies donations	98	99
Services donations	179	189
	<u>5,978</u>	<u>4,607</u>

5 - CONTRIBUTIONS

	2025	2024
	\$	\$
Donations and annual fundraising campaigns		
Businesses	14,060	14,073
Individuals		
Bequests	437	503
Other	1,822	1,290
Foundations	5,090	5,258
	<u>21,409</u>	<u>21,124</u>

Breakfast Club of Canada

Notes to Financial Statements

June 30, 2025

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

5 - CONTRIBUTIONS (Continued)

	2025	2024
	\$	\$
Other government grants		
Ministère de l'Éducation and ministère de l'Enseignement supérieur	14,919	11,525
Ministère de la Famille	444	428
Ministère de l'Agriculture, des Pêcheries et de l'Alimentation	146	—
Secrétariat aux relations avec les Premières Nations et les Inuit	480	480
Nunavik Regional Board of Health and Social Services	507	871
Government of Canada	57	—
Indigenous Services Canada	150	200
Other	60	62
	<u>16,763</u>	<u>13,566</u>
Donations – supplies and services		
Businesses	5,840	4,480
Foundations	138	127
	<u>5,978</u>	<u>4,607</u>

The Organization has 4,999,906 air miles and 2,095,223 aeroplane points which were received as donations. The benefit of these programs has not been recorded in the financial statements and will be recorded at their fair market value when they are utilized.

6 - INFORMATION INCLUDED IN CASH FLOWS

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

	2025	2024
	\$	\$
Contributions and other receivables	(210)	406
Inventory	(59)	(20)
Prepaid expenses	(101)	(112)
Trade payables and other operating liabilities	327	169
Other deferred contributions	(1,335)	2,306
	<u>(1,378)</u>	<u>2,749</u>

Breakfast Club of Canada

Notes to Financial Statements

June 30, 2025

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

7 - INVESTMENTS

	2025	2024
	\$	\$
Current		
Term deposits, 2.85% to 5.28% (5.24% in 2024)	9,000	5,000
Mutual funds – money market	–	2,198
	<u>9,000</u>	<u>7,198</u>
Long term		
Term deposits, 5.1% to 5.28%		8,000
Mutual funds – money market	3,790	–
	<u>3,790</u>	<u>8,000</u>

8 - CONTRIBUTIONS AND OTHER RECEIVABLES

	2025	2024
	\$	\$
Contributions receivable	790	571
Sales taxes receivable	120	129
	<u>910</u>	<u>700</u>

9 - TANGIBLE CAPITAL ASSETS

	2025	2024
	Net carrying amount	Net carrying amount
	\$	\$
Furniture	31	20
Computer equipment	40	57
Leasehold improvements	76	91
Equipment – schools	–	–
Equipment – warehouse	122	130
Equipment – telecommunications	2	2
Artwork	58	58
	<u>329</u>	<u>358</u>

10 - INTANGIBLE ASSETS

	2025	2024
	Net carrying amount	Net carrying amount
	\$	\$
Intangible assets subject to amortization		
Software	43	137
Website	87	132
	<u>130</u>	<u>269</u>

Breakfast Club of Canada

Notes to Financial Statements

June 30, 2025

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

11 - 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, 2025, there was an amount of \$30,982 outstanding (\$8,229 as at June 30, 2024) which is included in trade payables and other operating liabilities.

12 - TRADE PAYABLES AND OTHER OPERATING LIABILITIES

	2025	2024
	\$	\$
Trade payables	939	407
Salaries and vacations payable	664	784
Government remittances payable	5	90
	<u>1,608</u>	<u>1,281</u>

13 - OTHER DEFERRED CONTRIBUTIONS

	2025	2024
	\$	\$
Operating grants		
Balance, beginning of year	10,068	7,762
Amount received	21,021	21,964
Amount recognized in operations	(22,412)	(19,765)
Food donations and equipment not distributed	56	107
Balance, end of year	<u>8,733</u>	<u>10,068</u>

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

14 - 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:

	2025	2024
	\$	\$
Website	134	94
Accumulated amortization	(47)	(3)
Balance, end of year	<u>87</u>	<u>91</u>
Equipment – warehouse	10	–
Accumulated amortization	(1)	–
Balance, end of year	<u>9</u>	<u>–</u>
	<u>96</u>	<u>91</u>

Breakfast Club of Canada

Notes to Financial Statements

June 30, 2025

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

15 - 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, they will become available, subject to approval from the Board of Directors.

The Board of Directors approved the transfer of \$3,000,000 from the internally restricted net assets to the unrestricted net assets to ensure sufficient funds on hand in the coming year.

16 - 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.

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.

Breakfast Club of Canada

Notes to Financial Statements

June 30, 2025

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

17 - COMMITMENTS

The Organization has entered into long-term lease agreements which call for total lease payments of \$1,625,479 for the rental of office and warehouse spaces, and equipment and technical support.

The leases for office and warehouse spaces expire at various dates between October 31, 2026 and January 31, 2030. The leases for equipment and technical support expire on various dates between November 30, 2026 and December 31, 2028.

Minimum lease payments for the next five years are \$412,945 in 2026, \$378,947 in 2027, \$363,946 in 2028, \$366,836 in 2029 and \$102,805 in 2030.