

# **MEALS ON WHEELS, BERMUDA**

**Financial Statements and  
Independent Auditors' Report**

**For the year ended  
March 31, 2017**

## INDEPENDENT AUDITORS' REPORT

To the Members of  
Meals on Wheels, Bermuda

We have audited the accompanying financial statements of Meals on Wheels, Bermuda, which comprise the statement of financial position as at March 31, 2017, and the statements of operations, changes in net assets and cash flows for the year then ended, and the related notes, which comprise 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 accounting standards for not-for-profit organizations generally accepted in Bermuda and Canada, 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.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Bermuda and Canada. 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 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, Meals on Wheels, Bermuda derives revenue from fundraising activities the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our audit of these revenues was limited to the amounts recorded in the records of Meals on Wheels, Bermuda. Therefore, we were not able to determine whether any adjustments might be necessary to revenue, excess (deficiency) of revenues over expenses, and cash flows from operations for the years ended March 31, 2017 and 2016, current assets as at March 31, 2017 and 2016, and net assets as at April 1 and March 31 for both 2017 and 2016. Our audit opinion on the financial statements for the year ended March 31, 2016 was modified 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 Meals on Wheels, Bermuda as at March 31, 2017, and the results of its operations and its cash flows for the year then ended in accordance with accounting standards for not-for-profit organizations generally accepted in Bermuda and Canada.

*Deloitte Ltd.*

August 15, 2017

**Meals on Wheels, Bermuda**  
**Statement of Financial Position**  
As at March 31, 2017  
*(Expressed in Bermuda dollars)*

	General Fund \$	Capital Asset Fund \$	Endowment Fund \$	March 31, 2017 \$	March 31, 2016 \$
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash and cash equivalents (note 3)	159,347	-	13,946	173,293	153,215
Net accounts receivable (note 10)	16,459	-	-	16,459	14,859
Prepaid expenses	3,430	-	-	3,430	4,419
	179,236	-	13,946	193,182	172,493
Investments (note 4)	-	-	1,765,528	1,765,528	1,659,151
Capital assets (note 5)	-	314,265	-	314,265	329,084
	-	314,265	1,765,528	2,079,793	1,988,235
	179,236	314,265	1,779,474	2,272,975	2,160,728
<b>LIABILITIES AND NET ASSETS</b>					
<b>CURRENT LIABILITIES</b>					
Accounts payable and accrued liabilities (note 9)	35,412	-	-	35,412	32,783
Current portion of deferred contributions related to capital assets (note 6)	-	15,599	-	15,599	15,599
	35,412	15,599	-	51,011	48,382
Deferred contributions related to capital assets (note 6)	-	136,906	-	136,906	152,505
	35,412	152,505	-	187,917	200,887
<b>NET ASSETS</b>					
Invested in capital assets	-	9,255	-	9,255	(7,124)
Externally restricted	-	152,505	1,761,125	1,931,979	1,833,592
Internally restricted	3,951	-	-	3,951	3,951
Unrestricted	139,873	-	18,349	139,873	129,422
	143,824	161,760	1,779,474	2,085,058	1,959,841
	179,236	314,265	1,779,474	2,272,975	2,160,728

Approved by the Board of Directors



Director



Director

*The accompanying notes are an integral part of these financial statements.*

**Meals on Wheels, Bermuda**  
**Statement of Operations**  
For the year ended March 31, 2017  
*(Expressed in Bermuda dollars)*

	<b>General Fund \$</b>	<b>Capital Asset Fund \$</b>	<b>Endowment Fund \$</b>	<b>2017 \$</b>	<b>2016 \$</b>
<b>REVENUES</b>					
Food income	160,398	-	-	160,398	140,602
Donations (note 7)	241,304	-	-	241,304	262,551
Government grant	48,000	-	-	48,000	48,000
Interest and dividend income	15	-	5,570	5,585	4,551
Tag day	8,617	-	-	8,617	8,160
Amortization of deferred contributions (note 6)	-	15,599	-	15,599	15,599
Net realized and change in unrealized gain on Endowment Fund investments	-	-	116,907	116,907	(59,068)
	<u>458,334</u>	<u>15,599</u>	<u>122,477</u>	<u>596,410</u>	<u>420,395</u>
<b>EXPENSES</b>					
Amortization of capital assets	-	14,819	-	14,819	14,871
Audit fee (note 7)	22,525	-	-	22,525	22,083
Bad debts	2,518	-	-	2,518	576
Bank charges	599	-	-	599	670
Food	143,491	-	-	143,491	148,749
Insurance	5,605	-	-	5,605	5,642
Kitchen supplies	21,965	-	-	21,965	20,272
Maintenance and repairs	33,876	-	-	33,876	29,457
Management fees	-	-	8,491	8,491	8,310
Office supplies and miscellaneous	6,733	-	-	6,733	6,351
Salaries, wages and employee benefits (note 8)	183,280	-	-	183,280	180,092
Telephone	2,398	-	-	2,398	2,319
Utilities	24,893	-	-	24,893	24,472
	<u>447,883</u>	<u>14,819</u>	<u>8,491</u>	<u>471,193</u>	<u>463,864</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES</b>	<u>10,451</u>	<u>780</u>	<u>113,986</u>	<u>125,217</u>	<u>(43,469)</u>

*The accompanying notes are an integral part of these financial statements.*

**Meals on Wheels, Bermuda**  
**Statement of Changes in Net Assets**  
For the year ended March 31, 2017  
*(Expressed in Bermuda dollars)*

	<b>General Fund \$</b>	<b>Capital Asset Fund \$</b>	<b>Endowment Fund \$</b>	<b>Net Assets 2017 \$</b>	<b>Net Assets 2016 \$</b>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
NET ASSETS, BEGINNING OF YEAR	133,373	160,980	1,665,488	1,959,841	2,003,310
Excess (Deficiency) of revenues over expenses	10,451	780	113,986	125,217	(43,469)
NET ASSETS, END OF YEAR	<u>143,824</u>	<u>161,760</u>	<u>1,779,474</u>	<u>2,085,058</u>	<u>1,959,841</u>

*The accompanying notes are an integral part of these financial statements.*

**Meals on Wheels, Bermuda**  
**Statement of Cash Flows**  
For the year ended March 31, 2017  
*(Expressed in Bermuda dollars)*

	<b>General Fund</b>	<b>Capital Asset Fund</b>	<b>Endowment Fund</b>	<b>2017</b>	<b>2016</b>
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
<b>OPERATING ACTIVITIES</b>					
Excess (Deficiency) of revenue over expenses	10,451	780	113,986	125,217	(43,469)
Items not affecting cash:					
Amortization of capital assets	-	14,819	-	14,819	14,871
Amortization of deferred contributions	-	(15,599)	-	(15,599)	(15,599)
Net realized and change in unrealized gain on Endowment Fund investments	-	-	(116,907)	(116,907)	59,068
Net change in non-cash working capital					
Change in accounts receivable	(1,600)	-	-	(1,600)	20
Change in prepaid expenses	989	-	-	989	254
Change in accounts payable	2,629	-	-	2,629	1,090
Cash from (used in) operating activities	<u>12,469</u>	<u>-</u>	<u>(2,921)</u>	<u>9,548</u>	<u>16,235</u>
<b>INVESTING ACTIVITIES</b>					
Investments acquired	-	-	(47,270)	(47,270)	(208,632)
Investments sold	-	-	57,800	57,800	118,291
Cash from (used in) investing activities	<u>-</u>	<u>-</u>	<u>10,530</u>	<u>10,530</u>	<u>(90,341)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>12,469</b>	<b>-</b>	<b>7,609</b>	<b>20,078</b>	<b>(74,106)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>146,878</b>	<b>-</b>	<b>6,337</b>	<b>153,215</b>	<b>227,321</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b><u>159,347</u></b>	<b><u>-</u></b>	<b><u>13,946</u></b>	<b><u>173,293</u></b>	<b><u>153,215</u></b>

*The accompanying notes are an integral part of these financial statements.*

**Meals on Wheels, Bermuda**  
**Notes to the Financial Statements**  
March 31, 2017  
*(Expressed in Bermuda dollars)*

**1. PURPOSE AND LEGAL FORM**

Meals on Wheels, Bermuda (the “Association”) is registered as a charitable organization under the Charities Act 1978 (Registration no. 104). The Association was incorporated as a Company Limited by Guarantee under the laws of Bermuda on February 4, 2010. The Association is registered under and regulated by the Companies Act 1981 and the Charities Act 1978. The primary purpose of the Association is to provide meals to the elderly or infirm and other people who will benefit from such services.

In order to maintain its status as a registered charity, the Association has a legal obligation to submit an annual income and expenditure statement. In the opinion of management, the Association is not and nor has ever been, in default of this regulation.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of preparation**

The accompanying financial statements have been prepared in accordance with accounting standards for not-for profit organizations generally accepted in Bermuda and Canada (“ASNPO”) and include the following significant accounting policies:

**Accounting estimates**

The preparation of financial statements in accordance with ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from management’s best estimates as additional information becomes available in the future. These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in the period in which they become known.

**Fund accounting**

The General Fund reports the assets, liabilities, revenues, and expenditures related to meal preparation, delivery and administrative activities. The Capital Asset Fund reports the assets, liabilities, revenues and expenses related to capital assets. Endowment contributions are reported in the Endowment Fund. Dividend and interest income are reported in the Endowment Fund. Gains and losses on resources of the Endowment Fund are reported in the Endowment Fund. Revenues in the Endowment Fund are not externally restricted.

**Revenue recognition**

The Association follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when they are received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Endowment contributions are recognized as direct increases in net assets in the year.

Investment income in the Endowment Fund includes dividend and interest income, realized gains and losses on sales of investments, and unrealized gains and losses on investments measured at fair value.

Dividend and interest are recognized as revenue when they are earned.

**Meals on Wheels, Bermuda**  
**Notes to the Financial Statements**  
March 31, 2017  
*(Expressed in Bermuda dollars)*

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

Revenue recognition (cont'd)

Food income is recognized upon delivery of meals to the customer for those designated as having the ability to pay the Association. Food is also provided to individuals who cannot afford to pay. The revenue for benefit in kind for individuals who cannot afford to pay is not recognized in the financial statements.

Cash and cash equivalents

Cash and cash equivalents include cash on account and term deposits with maturities from the date of acquisition of three months or less which are readily convertible to known amounts of cash and are subject to insignificant changes in value.

Capital assets

Capital assets are carried at cost less a provision for amortization. Land is not amortized. Capital assets are amortized on straight-line basis over their estimated useful lives as follows:

Building	30 years
Improvements	10 years
Furniture and fixtures/equipment	5 years

Contributed services

Volunteer efforts and non-cash donations, except those related to capital assets and professional audit services, are not reflected in the financial statements as these amounts are not susceptible to objective measurement or valuation. Donated audit services are included at fair value in the statement of operations.

Financial instruments

Financial assets and financial liabilities are initially measured at fair value. The Association subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments, which are measured at fair value based on quoted market prices. Changes in fair value are recognized in the statement of operations.

Financial assets measured at amortized cost include cash and cash equivalents and net accounts receivable. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

**3. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents include \$28,886 (2016 - \$28,886) of restricted funds, of which \$24,935 (2016 - \$24,935) is explained in note 6 and \$3,951 (2016 - \$3,951) relates to funds held on behalf of staff.

As at March 31, 2017, term deposits with maturities from the date of acquisition of three months or less total \$nil (2016: \$nil).



**Meals on Wheels, Bermuda**  
**Notes to the Financial Statements**  
March 31, 2017  
*(Expressed in Bermuda dollars)*

**4. INVESTMENTS**

As at March 31, 2017

	<b>No. of shares/ units</b>	<b>Cost \$</b>	<b>Market value \$</b>
<b>Endowment Fund</b>			
<b>Fixed Income Funds</b>			
Global Voyager – Global Fixed Income	6,960	167,368	179,108
Global Voyager – Short Term Income	13,190	129,569	125,546
Global Voyager – High Yield Bond	7,500	126,002	124,563
PIMCO Global Investors Series plc – Total Return	5,379	139,205	152,375
		<hr/>	<hr/>
		562,144	581,592
		<hr/>	<hr/>
<b>Equity Funds</b>			
Global Voyager – Preferred	16,104	213,383	250,417
Global Voyager – International Equity	14,395	181,684	216,008
Global Voyager – North American Equity	8,610	298,736	405,109
Global Voyager – US Small Cap Equity	4,628	61,242	106,363
		<hr/>	<hr/>
		755,045	977,897
		<hr/>	<hr/>
<b>Hedge Funds</b>			
GAM Trading II Inc	305	102,100	103,156
Clarien Alternative Investment Fund	1,093	109,291	102,883
		<hr/>	<hr/>
		211,391	206,039
		<hr/>	<hr/>
		1,528,580	1,765,528
		<hr/> <hr/>	<hr/> <hr/>

**Meals on Wheels, Bermuda**  
**Notes to the Financial Statements**  
March 31, 2017  
*(Expressed in Bermuda dollars)*

**4. INVESTMENTS (cont'd)**

As at March 31, 2016

	<b>No. of shares/ units</b>	<b>Cost \$</b>	<b>Market value \$</b>
<b>Endowment Fund</b>			
<b>Fixed Income Funds</b>			
Global Voyager – Global Fixed Income	6,855	164,576	171,527
Global Voyager – Short Term Income	7,138	120,003	118,916
Global Voyager – High Yield Bond FD Ord	13,125	129,392	113,014
PIMCO Global Investors Series plc – Total Return	5,379	139,205	148,556
		<u>553,176</u>	<u>552,013</u>
<b>Equity Funds</b>			
Global Voyager – Preferred	16,386	215,273	246,092
Global Voyager – International Equity	14,131	177,508	200,117
Global Voyager – North American Equity	8,995	310,707	364,310
Global Voyager – US Small Cap Equity	4,979	65,877	97,155
		<u>769,365</u>	<u>907,674</u>
<b>Hedge Funds</b>			
GAM Trading II Inc	283	94,500	97,237
Clarien Alternative Investment Fund	1,093	109,291	102,227
		<u>203,791</u>	<u>199,464</u>
		<u>1,526,332</u>	<u>1,659,151</u>

**5. CAPITAL ASSETS**

	<b>Cost \$</b>	<b>Accumulated Amortization \$</b>	<b>2017 Net book Value \$</b>	<b>2016 Net book Value \$</b>
Land	180,000	-	180,000	180,000
Building	422,781	288,905	133,876	147,917
Improvements	40,150	40,150	-	-
Furniture and fixtures/equipment	216,762	216,373	389	1,167
	<u>859,693</u>	<u>545,428</u>	<u>314,265</u>	<u>329,084</u>

**Meals on Wheels, Bermuda**  
**Notes to the Financial Statements**  
March 31, 2017  
*(Expressed in Bermuda dollars)*

**6. DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS**

	<b>Deferred contributions on capital assets</b>	<b>Designated for capital projects</b>	<b>2017 Total</b>	<b>2016 Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Balance, beginning of year	143,169	24,935	168,104	183,703
Amounts amortized to revenue	(15,599)	-	(15,599)	(15,599)
Balance, end of year	<u>127,570</u>	<u>24,935</u>	<u>152,505</u>	<u>168,104</u>

*Deferred contributions on capital assets*

Deferred contributions on capital assets represent contributions from donors to assist with the purchase of the Association's building and equipment and are being amortized to revenue over the life of the building and equipment to match the revenue with the related amortization expense.

*Designated for capital projects*

In 2001, the Association received a \$40,000 donation where the donor stipulated that the funds were to be invested, with the earnings thereon to be included in unrestricted revenue of the Association. However, should the Association wish, it may use the donated funds for a designated capital project. During the year ended March 31, 2017, the Board did not approve any funds to be used (2016 - \$Nil). As at March 31, 2017, the remaining funds amounting to \$24,935 (2016 - \$24,935) were held in cash and cash equivalents.

**7. DONATIONS**

Audit fees for the year ended March 31, 2017 are recorded at their fair value of \$22,525 (2016: \$22,083). The actual amount charged for the audit is \$4,505 (2016: \$nil) with the difference of \$18,020 (2016: \$22,083) being recorded as a donation to the General Fund.

**8. PENSION PLANS**

The Association maintains a defined contribution pension plan in accordance with The National Pension Scheme (Occupational Pension) Act 1998, which is administered by Argus and covers the majority of its employees. During the period, the Association made contributions of \$6,165 (2016 - \$6,006) into the plan.

The Association also pays monthly social insurance payments in accordance with The Contributory Pensions Act 1970. The payments for the year ended March 31, 2017 totaled \$6,095 (2016 - \$6,414).

**9. GOVERNMENT REMITTANCES**

As of March 31, 2017, included in accounts payable and accrued liabilities is \$6,656 (2016: \$5,636) due to the Bermuda Government.

**Meals on Wheels, Bermuda**  
**Notes to the Financial Statements**  
March 31, 2017  
*(Expressed in Bermuda dollars)*

**10. FINANCIAL INSTRUMENTS**

The Association is exposed to various risks through its financial instruments.

*Credit risk*

The estimated fair values of cash and cash equivalents and net accounts receivable approximate their carrying values.

Financial assets which potentially subject the Association to concentrations of credit risk consist primarily of cash and cash equivalents and accounts receivable. In management's opinion, the risk of loss due to credit risk is not significant as cash and cash equivalents are placed with high credit quality institutions and accounts receivable are presented net of provisions for uncollectible amounts totaling \$2,518 (2016 - \$2,694).

*Market risk*

Market risk is the potential for changes in the value of investments due to market changes, including interest and foreign exchange rate movements and fluctuations in security prices. Market risk is directly impacted by the volatility and liquidity in the markets in which the underlying assets are traded. The Association manages its exposure to market risk related to trading instruments on an aggregate basis.

*Changes in risk*

There have been no significant changes in the Company's risk exposures from the 2016 fiscal year.