

# **MEALS ON WHEELS, BERMUDA**

**Financial Statements and  
Independent Auditors' Report**

**For the year ended  
March 31, 2020**

## INDEPENDENT AUDITORS' REPORT

To the Members of  
Meals on Wheels, Bermuda

### Qualified Opinion

We have audited the financial statements of Meals on Wheels, Bermuda (the "Charity"), which comprise the statement of financial position as at March 31, 2020, and the statements of operations, changes in net assets and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Charity as at March 31, 2020, and the results of its operations for the year then ended in accordance with Canadian and Bermudian accounting standards for not-for-profit organizations.

### Basis for Qualified Opinion

In common with many not-for-profit organizations, the Charity derives revenue from donations and fund-raising projects, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Charity and we were not able to determine whether any adjustments might be necessary to revenues and the excess of revenues over expenditures for the years ended March 31, 2020 and 2019, or assets and fund balances as at March 31, 2020 and 2019. Our audit opinion on the financial statements for the year ended March 31, 2019 was modified accordingly because of the possible effects of this scope limitation.

We conducted our audit in accordance with Canadian and Bermudian generally accepted auditing standards ("GAAS"). 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 Charity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and Bermuda, 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 qualified audit 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 and Bermudian 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 Charity'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 Charity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Charity'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 and Bermudian GAAS 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.

## **INDEPENDENT AUDITORS' REPORT (cont'd)**

As part of an audit in accordance with Canadian and Bermudian GAAS, 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 Charity'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 Charity'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 Charity 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.

*Deloitte Ltd.*

September 28, 2020

**Meals on Wheels, Bermuda**  
**Statement of Financial Position**  
As at March 31, 2020  
*(Expressed in Bermuda dollars)*

	<b>General Fund</b>	<b>Capital Asset Fund</b>	<b>Endowment Fund</b>	<b>March 31, 2020</b>	<b>March 31, 2019</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash and cash equivalents (note 3)	348,708	-	94,469	443,177	227,345
Net accounts receivable (note 10)	20,823	-	-	20,823	14,920
Prepaid expenses	1,922	-	-	1,922	1,922
	371,453	-	94,469	465,922	244,187
Investments (note 4)	-	-	1,716,235	1,716,235	1,796,993
Capital assets (note 5)	-	295,708	-	295,708	285,742
	-	295,708	1,716,235	2,011,943	2,082,735
	371,453	295,708	1,810,704	2,477,865	2,326,922
<b>LIABILITIES AND NET ASSETS</b>					
<b>CURRENT LIABILITIES</b>					
Accounts payable and accrued liabilities (note 9)	39,584	-	-	39,584	37,835
Current portion of deferred contributions related to capital assets (note 6)	-	20,586	-	20,586	15,599
	39,584	20,586	-	60,170	53,434
Deferred contributions related to capital assets (note 6)	-	83,001	-	83,001	105,708
	39,584	103,587	-	143,171	159,142
<b>NET ASSETS</b>					
Invested in capital assets	-	88,534	-	88,534	43,128
Externally restricted	-	103,587	1,771,517	1,875,104	1,994,706
Internally restricted	3,951	-	-	3,951	3,951
Unrestricted	327,918	-	39,187	367,105	125,995
	331,869	192,121	1,810,704	2,334,694	2,167,780
	371,453	295,708	1,810,704	2,477,865	2,326,922

**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, 2020  
*(Expressed in Bermuda dollars)*

	<b>General Fund \$</b>	<b>Capital Asset Fund \$</b>	<b>Endowment Fund \$</b>	<b>2020 \$</b>	<b>2019 \$</b>
<b>REVENUES</b>					
Food income	199,755	-	-	199,755	191,252
Donations (note 7)	474,215	-	-	474,215	239,153
Government grant	48,000	-	-	48,000	48,000
Interest and dividend income	12,856	-	10,862	23,718	9,254
Amortization of deferred contributions (note 6)	-	17,720	-	17,720	15,599
Net realized and change in unrealized gain on Endowment Fund investments	-	-	(86,673)	(86,673)	47,669
	<u>734,826</u>	<u>17,720</u>	<u>(75,811)</u>	<u>676,735</u>	<u>550,927</u>
<b>EXPENSES</b>					
Amortization of capital assets	-	16,329	-	16,329	14,093
Audit fee (note 7)	23,435	-	-	23,435	22,975
Bad debts	-	-	-	-	1,167
Bank charges	866	-	-	866	711
Food	133,522	-	-	133,522	158,472
Insurance	5,305	-	-	5,305	6,474
Kitchen supplies	25,694	-	-	25,694	24,984
Maintenance and repairs	44,545	-	-	44,545	47,344
Management fees	-	-	9,539	9,539	9,278
Office supplies and miscellaneous	3,992	-	-	3,992	1,778
Consultancy fees	10,900	-	-	10,900	16,020
Salaries, wages and employee benefits (note 8)	202,983	-	-	202,983	203,008
Telephone	5,332	-	-	5,332	2,169
Utilities	27,379	-	-	27,379	27,076
	<u>483,953</u>	<u>16,329</u>	<u>9,539</u>	<u>509,821</u>	<u>535,549</u>
<b>EXCESS OF REVENUE OVER EXPENSES</b>	<u>250,873</u>	<u>1,391</u>	<u>(85,350)</u>	<u>166,914</u>	<u>15,378</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, 2020  
*(Expressed in Bermuda dollars)*

	<b>General Fund \$</b>	<b>Capital Asset Fund \$</b>	<b>Endowment Fund \$</b>	<b>Net Assets 2020 \$</b>	<b>Net Assets 2019 \$</b>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
NET ASSETS, BEGINNING OF YEAR	107,291	164,435	1,896,054	2,167,780	2,152,402
Excess of revenues over expenses	250,873	1,391	(85,350)	166,914	15,378
Interfund transfers (Note 11)	(26,295)	26,295	-	-	-
NET ASSETS, END OF YEAR	<u>331,869</u>	<u>192,121</u>	<u>1,810,704</u>	<u>2,334,694</u>	<u>2,167,780</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, 2020  
*(Expressed in Bermuda dollars)*

	<b>General Fund \$</b>	<b>Capital Asset Fund \$</b>	<b>Endowment Fund \$</b>	<b>2020 \$</b>	<b>2019 \$</b>
<b>OPERATING ACTIVITIES</b>					
Excess of revenue over expenses	250,873	1,391	(85,350)	166,914	15,378
Items not affecting cash:					
Amortization of capital assets	-	16,329	-	16,329	14,093
Amortization of deferred contributions	-	(17,720)	-	(17,720)	(15,599)
Net realized and change in unrealized gain on Endowment Fund investments	-	-	86,673	86,673	(47,669)
Net change in non-cash working capital					
Change in accounts receivable	(5,903)	-	-	(5,903)	2,037
Change in prepaid expenses	-	-	-	-	1,220
Change in accounts payable	1,749	-	-	1,749	6,684
Cash (used in) / from operating activities	246,719	-	1,323	248,042	(23,856)
<b>INVESTING ACTIVITIES</b>					
Investments acquired	-	-	(75,915)	(75,915)	(303,793)
Investments sold	-	-	70,000	70,000	297,133
Capital assets acquired (Note 11)	(26,295)	-	-	(26,295)	-
Cash (used in) / from investing activities	(26,295)	-	(5,915)	(32,210)	(6,660)
<b>NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS</b>	220,424	-	(4,592)	215,832	(30,516)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	128,284	-	99,061	227,345	257,861
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	348,708	-	94,469	443,177	227,345

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

**Meals on Wheels, Bermuda**  
**Notes to the Financial Statements**  
March 31, 2020  
*(Expressed in Bermuda dollars)*

**1. PURPOSE AND LEGAL FORM**

Meals on Wheels, Bermuda (the “Charity”) is registered as a charitable organization under the Charities Act 1978 (Registration no. 104). The Charity was incorporated as a Company Limited by Guarantee under the laws of Bermuda on February 4, 2010. The Charity is registered under and regulated by the Companies Act 1981 and the Charities Act 1978. The primary purpose of the Charity 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 Charity has a legal obligation to submit an annual income and expenditure statement. In the opinion of management, the Charity 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 Charity 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, 2020  
*(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 Charity. 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 a 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 Charity 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 \$Nil (2019: \$24,935) of restricted funds, of which \$Nil (2019: \$Nil) relates to funds held on behalf of staff. The balance of restricted funds included in cash and cash equivalents on April 1, 2019 was used during the year ended March 31, 2020 as explained in note 6.

**Meals on Wheels, Bermuda**  
**Notes to the Financial Statements**  
March 31, 2020  
*(Expressed in Bermuda dollars)*

**4. INVESTMENTS**

As at March 31, 2020

	<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	8,307	203,468	225,238
Global Voyager – High Yield Bond	15,196	148,145	120,688
Global Voyager – Limited Preferred Equity	16,470	219,283	258,130
PIMCO Global – Low Duration Return Inst	16,289	172,000	173,155
PIMCO Global – Total Return Bond Inst Inc	10,249	165,323	178,338
		<hr/>	<hr/>
		908,219	955,549
		<hr/>	<hr/>
<b>Equity Funds</b>			
Global Voyager – International Equity	12,616	159,237	178,874
Global Voyager – North American Equity	7,499	260,190	372,384
Global Voyager – US Small Cap Equity	4,517	59,766	97,958
		<hr/>	<hr/>
		479,193	649,216
		<hr/>	<hr/>
<b>Hedge Funds</b>			
Clarien Alternative Investment Fund	1,093	109,291	111,470
		<hr/>	<hr/>
		1,496,703	1,716,235
		<hr/> <hr/>	<hr/> <hr/>

**Meals on Wheels, Bermuda**  
**Notes to the Financial Statements**  
March 31, 2020  
*(Expressed in Bermuda dollars)*

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

As at March 31, 2019

	<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	7,194	173,468	191,982
Global Voyager – High Yield Bond	14,562	142,229	134,267
Global Voyager – Limited Preferred Equity	16,470	219,283	274,010
PIMCO Global – Low Duration Return Inst	12,656	132,000	133,772
PIMCO Global – Total Return Bond Inst Inc	10,249	165,323	169,934
		<u>832,303</u>	<u>903,965</u>
<b>Equity Funds</b>			
Global Voyager – International Equity	13,764	173,721	218,934
Global Voyager – North American Equity	8,283	287,380	459,508
Global Voyager – US Small Cap Equity	4,517	59,766	111,564
		<u>520,867</u>	<u>790,006</u>
<b>Hedge Funds</b>			
Clarien Alternative Investment Fund	1,093	109,291	103,022
		<u>1,462,461</u>	<u>1,796,993</u>

**5. CAPITAL ASSETS**

	<b>Cost \$</b>	<b>Accumulated Amortization \$</b>	<b>2020 Net book Value \$</b>	<b>2019 Net book Value \$</b>
Land	180,000	-	180,000	180,000
Building	422,781	331,132	91,649	105,742
Improvements	40,150	40,150	-	-
Furniture and fixtures/equipment	243,057	218,998	24,059	-
	<u>885,988</u>	<u>590,280</u>	<u>295,708</u>	<u>285,742</u>

**Meals on Wheels, Bermuda**  
**Notes to the Financial Statements**  
March 31, 2020  
*(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>2020 Total</b>	<b>2019 Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Balance, beginning of year	96,372	24,935	121,307	136,906
Amounts amortized to revenue	(15,599)	(2,121)	(17,720)	(15,599)
Balance, end of year	<u>80,773</u>	<u>22,814</u>	<u>103,587</u>	<u>121,307</u>

*Deferred contributions on capital assets*

Deferred contributions on capital assets represent contributions from donors to assist with the purchase of the Charity'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 Charity 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 Charity. However, should the Charity wish, it may use the donated funds for a designated capital project. During the year ended March 31, 2020, the Board approved the use of \$24,935 (2019: \$Nil) to acquire additional capital assets. As at March 31, 2020, the remaining funds held in cash and cash equivalents relating to this donation were \$Nil (2019: \$24,935).

The designated for capital projects balance is being amortized to revenue over the life of the related capital assets acquired using the funds, to match the revenue with the related amortization expense, commencing from the date on which the related capital assets were brought into use during the year ended March 31, 2020.

**7. DONATIONS**

Audit fees for the year ended March 31, 2020 are recorded at their fair value of \$23,435 (2019: \$22,975). The actual amount charged for the audit is \$4,687 (2019: \$4,595) with the difference of \$18,748 (2019: \$18,380) being recorded as a donation to the General Fund.

**8. PENSION PLANS**

The Charity maintains a defined contribution pension plan in accordance with The National Pension Scheme (Occupational Pension) Act 1998, which is administered by Colonial and covers the majority of its employees. During the period, the Charity made contributions of \$4,257 (2019: \$6,912) into the plan.

The Charity also pays monthly social insurance payments in accordance with The Contributory Pensions Act 1970. The payments for the year ended March 31, 2020 totaled \$6,160 (2019: \$6,936).

**Meals on Wheels, Bermuda**  
**Notes to the Financial Statements**  
March 31, 2020  
*(Expressed in Bermuda dollars)*

**9. GOVERNMENT REMITTANCES**

As of March 31, 2020, included in accounts payable and accrued liabilities is \$3,860 (2019: \$3,537) due to the Bermuda Government.

**10. FINANCIAL INSTRUMENTS**

The Charity 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 Charity 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 \$2,326 (2019: \$2,326).

*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 Charity 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 2019 fiscal year.

**11. INTERFUND TRANSFERS**

During the year \$26,295 (2019: \$Nil) was transferred from the General Fund to the Capital Asset Fund to finance acquisition of additional capital assets. Of this amount, \$24,935 (2019: \$Nil) was the remaining balance of funds relating to a donation received by the Charity in 2001 as explained in Note 6.

**12. SUBSEQUENT EVENTS**

The Charity has evaluated the impact of all subsequent events through the date that these Financial Statements were available to be issued. The Charity has considered the recent outbreak of the novel coronavirus in many countries which continues to adversely impact global commercial activity and has contributed to significant volatility in financial markets. The Charity's Board resolved that there be no charge for meals to the Charity's clients from the date of the Shelter in Place regulation declared by the Government of Bermuda following the outbreak of the novel coronavirus until further notice. This resolution was put into effect commencing April 1, 2020.

The Charity is precluded from making any prediction as to the ultimate adverse impact of the novel coronavirus as it relates to the Charity's financial statements as reported due to the rapid development and fluidity of this situation.