

BERMUDA RED CROSS

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

DECEMBER 31, 2017



Arthur Morris & Company Limited
Chartered Professional Accountants

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INDEPENDENT AUDITORS' REPORT

**To the Board of Governors of
Bermuda Red Cross**

We have audited the statement of financial position of the Bermuda Red Cross as at December 31, 2017 and the related statements of operations and changes in surplus and cash flows for the year then ended and 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 CPA Canada Handbook – Part III, Accounting Standards for Not-for-Profit Organizations (“ASNPO”), 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 Canadian auditing standards. 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 auditors' 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 overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Basis for Qualified Opinion

As common with many not for profit organizations, the Bermuda Red Cross derives its revenue from donations, fundraising events and equipment rentals, the completeness of which are not susceptible to satisfactory audit verification. Accordingly, our verification of revenue was limited to the amounts recorded in the records of the Bermuda Red Cross and we were not able to determine whether adjustments, if any, might be necessary to revenues and net assets.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, these financial statements present fairly, in all material respects, the financial position of the Bermuda Red Cross as at December 31, 2017 and the results of its operations and its cash flows for the year then ended in accordance with ASNPO.

Arthur Morris + Company Limited

Hamilton, Bermuda
June 6, 2018

BERMUDA RED CROSS
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017
(Expressed in Bermuda dollars)

	2017	2016
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents (note 4)	\$ 106,892	\$ 14,717
Accounts receivable (note 2d)	36,778	33,271
Inventory	34,919	36,328
	<u>178,589</u>	<u>84,316</u>
DUE FROM RELATED PARTY (note 3)	55,655	104,834
CAPITAL ASSETS (note 5)	<u>18,460</u>	<u>17,685</u>
	<u>\$ 252,704</u>	<u>\$ 206,835</u>
CURRENT LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses (note 6)	45,654	80,886
Disaster relief payable (note 7)	6,204	281
Deferred income	13,295	1,240
Restricted funds (note 8)	1,751	18,605
	<u>66,904</u>	<u>101,012</u>
NET ASSETS		
Capital	10,000	10,000
Surplus	175,800	95,823
	<u>185,800</u>	<u>105,823</u>
	<u>\$ 252,704</u>	<u>\$ 206,835</u>

On behalf of the Board of Governors:

Governor

Governor

The accompanying notes form an integral part of these financial statements.

BERMUDA RED CROSS
STATEMENT OF OPERATIONS AND CHANGES IN SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2017

(Expressed in Bermuda dollars)

	2017	2016
REVENUES		
Net proceeds from thrift shop (note 10)	\$ 266,141	\$ 267,284
Net proceeds from hospital equipment rental (note 11)	188,118	180,243
First Aid course fees	132,609	130,267
Donations	123,513	99,942
Net proceeds from fundraising events (note 12)	98,140	102,476
AED machines and supplies	69,820	36,895
Donation - audit fees (note 13)	22,000	22,000
DRR programme income	12,680	17,693
Rental income - conference room	5,080	5,320
Donation - internet technology consulting fees (note 13)	5,000	16,800
Lifeguard income	4,260	-
Other income	1,373	6,124
CPR supplies	-	8,283
	<u>928,734</u>	<u>893,327</u>
EXPENSES		
Wages and wage related expenses (note 9)	537,599	644,129
Other expenses (Schedule 1)	171,016	126,523
DRR programme expenses	16,001	21,670
Rent expense (note 3)	60,000	60,000
Audit fees (note 13)	22,000	22,000
Advertising	13,332	15,862
Accounting	12,200	14,940
Depreciation (note 5)	11,189	11,180
Internet technology consulting fees (note 13)	5,000	16,800
Professional and legal expenses	420	6,517
	<u>848,757</u>	<u>939,621</u>
TOTAL EXPENSES		
	<u>848,757</u>	<u>939,621</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	79,977	(46,294)
SURPLUS, beginning of year	<u>95,823</u>	<u>142,117</u>
SURPLUS, end of year	<u>\$ 175,800</u>	<u>\$ 95,823</u>

The accompanying notes form an integral part of these financial statements.

BERMUDA RED CROSS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017

(Expressed in Bermuda dollars)

	2017	2016
CASH AND CASH EQUIVALENTS PROVIDED BY (USED FOR):		
OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenses	\$ 79,977	\$ (46,294)
Items not involving a movement of cash:		
Loss on disposal of capital assets	2,891	-
Depreciation	11,189	11,180
	<u>94,057</u>	<u>(35,114)</u>
Changes in non-cash operating balances:		
Accounts receivable	(3,507)	(7,746)
Inventory	1,409	(3,659)
Due from related party	49,179	3,207
Accounts payable and accrued expenses	(35,232)	36,381
Disaster relief payable	5,923	(2,244)
Deferred income	12,055	1,240
Restricted funds	(16,854)	(8,879)
	<u>107,030</u>	<u>(16,814)</u>
Cash and cash equivalents provided by (used for) operating activities	<u>107,030</u>	<u>(16,814)</u>
INVESTING ACTIVITIES		
Purchase of capital assets	(14,855)	(8,482)
	<u>(14,855)</u>	<u>(8,482)</u>
Cash and cash equivalents used for investing activities	<u>(14,855)</u>	<u>(8,482)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	92,175	(25,296)
CASH AND CASH EQUIVALENTS, beginning of year	14,717	40,013
CASH AND CASH EQUIVALENTS, end of year	\$ <u>106,892</u>	\$ <u>14,717</u>

The accompanying notes form an integral part of these financial statements.

BERMUDA RED CROSS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

(Expressed in Bermuda dollars)

1. GENERAL

Bermuda Red Cross is a not for profit organization founded in Bermuda on August 1, 1950 as a branch of the British Red Cross Society. The Bermuda Red Cross is registered under the Bermuda Charities Act 2014, as charity #113.

The Bermuda Red Cross is a volunteer-led humanitarian organization that helps people in crisis and provides health and social services to the community. The Bermuda Red Cross is supported through general donations and service fees and is staffed by volunteers and paid personnel.

The Bermuda Red Cross' mission is to respond locally and globally to those in need, helping the vulnerable and enabling the community to be prepared and to respond.

Bermuda Red Cross, and those it serves, is the beneficiary of the Bermuda Red Cross Charitable Trust (the "Trust"). Bermuda Red Cross operates, facilitates programs, projects and fundraising activities through property, which is owned by the Trust.

These financial statements have been approved for release by the Board of Governors on June 6, 2018.

2. SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in accordance with the CPA Canada Handbook – Part III, Accounting Standards for Not-for-Profit Organizations ("ASNPO"). The significant accounting policies are as follows:

a) Cash and cash equivalents

Cash and cash equivalents comprise cash accounts held at regulated financial institutions within Bermuda.

b) Inventory

Inventory is valued at the lower of cost and replacement cost, using the first in, first out costing method. Costs of inventories comprises AED supplies and CPR supplies included in other expenses (schedule 1).

BERMUDA RED CROSS

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED DECEMBER 31, 2017

(Expressed in Bermuda dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Capital assets and depreciation

Capital assets are carried at cost less accumulated depreciation and impairments, if any. Depreciation is calculated on a straight-line basis at the following annual rates designed to write off the cost of the assets over their estimated useful lives:

Furniture and fixtures	10 years
Thrift Shop	10 years
Mannequins	10 years
ER equipment	5 years
Vehicle	5 years
Computer equipment and software	3 years
DRR equipment	3 years

d) Revenue recognition

The Bermuda Red Cross follows the deferral method of accounting for contributions. Restricted contributions are deferred and then recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount can be reasonably estimated and collection is reasonably assured. All other revenue is recorded on an accrual basis.

Accounts receivable are presented net of allowance for doubtful accounts of \$14,469 (2015 - \$3,617).

e) Donated services

The Bermuda Red Cross benefits greatly from donated services in the form of volunteer work for various activities. The values of donated services which are not susceptible to objective measurement are not reflected in these financial statements.

f) Deferred income

Deferred income represents contributions received in advance for 2018 Bermuda Red Cross events and courses.

g) Rent expense

Operating lease payments are recognized as an expense in the statement of operations and changes in surplus on a straight-line basis over the lease term. Associated costs, such as maintenance, are expensed as incurred.

BERMUDA RED CROSS

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED DECEMBER 31, 2017

(Expressed in Bermuda dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Use of estimates

The preparation of financial statements in conformity with ASNPO requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. While management believes that the amounts included in the financial statements reflect the Bermuda Red Cross' best estimates and assumptions, actual results could differ from these estimates.

3. RELATED PARTY TRANSACTIONS AND BALANCES

Rent in the amount of \$60,000 (2016 - \$60,000) was paid to the Trust during the year.

The balance due from the Trust in the amount of \$55,655 (2016 - \$104,834) is unsecured, interest free and has no fixed terms of repayment.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are comprised of the following:

	2017	2016
Cash in bank	\$ 94,396	\$ 8,068
Disaster risk reduction funds	11,489	11,718
Disaster relief funds (note 7)	1,007	709
Overdraft	_____ -	_____ (5,778)
	<u>\$ 106,892</u>	<u>\$ 14,717</u>

As at December 31, 2017, Bermuda Red Cross held an overdraft facility of \$35,000 (2016 - \$35,000) available to fund operations. The overdraft facility incurs interest at a rate of 6.5%, and expires on June 30, 2018.

Disaster risk reduction funds include reimbursements of expenses from the British Red Cross, as well as amounts received from donors which are restricted for the disaster risk reduction program.

Disaster relief funds are donations received from the general public for disasters around the world. The funds are held in separate bank accounts which are then transferred to the British Red Cross for distribution to the affected area. These funds are not available for the operating activities of the Bermuda Red Cross.

BERMUDA RED CROSS

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED DECEMBER 31, 2017

(Expressed in Bermuda dollars)

4. CASH AND CASH EQUIVALENTS (continued)

As at December 31, 2017, the Bermuda Red Cross had deferred donations restricted for future activities of \$7,955 (2016 - \$18,886). As at December 31, 2017 there is no cash deficiency over deferred contributions (2016 - cash deficiency of \$4,169).

5. CAPITAL ASSETS

Capital assets are comprised of the following:

			2017			2016
	Cost	Accumulated Depreciation	Net Book Value		Net Book Value	
Furniture and fixtures	\$ 42,864	\$ 40,939	\$ 1,925	\$	4,918	
ER equipment	131,529	125,114	6,415		2,706	
Vehicle	95,620	95,620	-		-	
Computer equipment and software	90,504	87,914	2,590		5,180	
Thrift Shop	7,181	6,692	489		653	
DRR equipment	4,014	4,014	-		1,338	
Mannequins	<u>13,791</u>	<u>6,750</u>	<u>7,041</u>		<u>2,890</u>	
	<u>\$ 385,503</u>	<u>\$ 367,043</u>	<u>\$ 18,460</u>	\$	<u>17,685</u>	

As of December 31, 2017, assets with a cost of \$350,679 (2016 - \$311,430) are fully depreciated and still in use by the Bermuda Red Cross.

During the year, the Bermuda Red Cross purchased capital assets amounting to \$14,855 (2016 - \$8,482) and retired fully depreciated capital assets with a cost of \$4,196 (2016 - \$16,605) and accumulated depreciation of \$1,305 (2016 - \$16,605). The loss on disposal of \$2,891 (2016 - \$nil) is included in miscellaneous expenses in schedule 1.

BERMUDA RED CROSS

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED DECEMBER 31, 2017

(Expressed in Bermuda dollars)

6. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

As of December 31, 2017, accounts payable and accrued expenses includes amounts of \$1,792 (2016 - \$4,964) due to the Government of Bermuda relating to social insurance, and \$4,995 (2016 - \$9,462) relating to payroll tax.

7. DISASTER RELIEF PAYABLE

Periodically, the Bermuda Red Cross collects donations from the public for various disasters which are remitted to the British Red Cross. The funds which are unpaid as of December 31, 2017 are held in the Bermuda Red Cross' general purpose bank accounts.

8. RESTRICTED FUNDS

Restricted funds are comprised of the following:

	ER Funds	Lifeguard Funds	Bermuda Storm Appeal Funds	Vehicle Funds	Total
Funds, beginning	\$ 6,046	\$ 8,740	\$ 1,679	\$ 2,140	\$ 18,605
Funds received	-	-	-	-	-
Amounts recognized as revenue during the year	(4,589)	(8,740)	(1,679)	(1,846)	(16,854)
Funds, end of year	<u>\$ 1,457</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 294</u>	<u>\$ 1,751</u>

Restricted funds are donations externally restricted for the following future uses: Equipment Rental ("ER") funds for the use of ER related expenses; lifeguard funds for the use of lifeguard instructor training; Bermuda storm appeal funds for public hurricane relief; and vehicle funds for the maintenance, licensing and other costs of vehicle operation for the next five years.

9. EMPLOYEE BENEFITS

The Bermuda Red Cross has a defined contribution pension plan for eligible employees. The Bermuda Red Cross' contributions to its employees defined contribution plan for the year ended December 31, 2017 amounted to \$19,303 (2016 - \$21,124).

BERMUDA RED CROSS

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED DECEMBER 31, 2017

(Expressed in Bermuda dollars)

10. THRIFT SHOP

Net proceeds from the thrift shop comprise the following:

	2017	2016
Revenue	\$ 279,956	\$ 278,249
Direct expenses	<u>(13,815)</u>	<u>(10,965)</u>
Net proceeds from thrift shop	<u>\$ 266,141</u>	<u>\$ 267,284</u>

11. EQUIPMENT RENTAL

Net proceeds from the hospital equipment rental comprise the following:

	2017	2016
Revenue	\$ 188,118	\$ 180,740
Direct expenses	<u>-</u>	<u>(497)</u>
Net proceeds from hospital equipment rental	<u>\$ 188,118</u>	<u>\$ 180,243</u>

BERMUDA RED CROSS

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED DECEMBER 31, 2017

(Expressed in Bermuda dollars)

12. FUNDRAISING EVENTS

Net proceeds from fundraising events comprise the following:

	2017	2016
Revenues		
Dinner/dance	\$ 81,865	\$ 82,370
Raffle	26,446	29,550
Red White and Do	19,225	24,359
Other events	<u>18,091</u>	<u>12,011</u>
	<u>145,627</u>	<u>148,290</u>
Direct expenses		
Other events	36,201	35,493
Raffle	9,265	9,656
Rentals	<u>2,021</u>	<u>665</u>
	<u>47,487</u>	<u>45,814</u>
Net proceeds from fundraising events	<u>\$ 98,140</u>	<u>\$ 102,476</u>

13. DONATIONS

Audit fees in the amount of \$22,000 (2016 - \$22,000) were recorded as a donation for the year ended December 31, 2017.

Internet technology consulting fees in the amount of \$5,000 (2016 - \$16,800) were recorded as a donation for the year ended December 31, 2017.

BERMUDA RED CROSS

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED DECEMBER 31, 2017

(Expressed in Bermuda dollars)

14. FINANCIAL INSTRUMENTS

The Bermuda Red Cross' financial instruments consist of cash and cash equivalents, accounts receivable, due from related party, accounts payable and accrued expenses and disaster relief payable.

The significant financial risks to which the Bermuda Red Cross is exposed are credit risk, interest rate risk and liquidity risk.

The carrying value of cash and cash equivalents, accounts receivable, accounts payable and accrued expenses and disaster relief payable approximates fair value due to their short term nature.

The fair value of due from related party is not practical to determine. The terms of repayment are described in note 3.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Bermuda Red Cross is exposed to credit risk in the event of non-performance by counterparties and due from related parties in connection with its cash and cash equivalents. In management's opinion, the risk of loss due to credit risk is not significant as cash and cash equivalents are placed with financial institutions which have a high credit rating.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest income earned on cash and cash equivalents are subject to interest rate risk as a result of changes in the prevailing market interest rates.

Liquidity risk

Liquidity risk is the risk that the Bermuda Red Cross will encounter difficulty in meeting obligations associated with financial liabilities. The Bermuda Red Cross manages its liquidity risk by ensuring it always has sufficient cash to meet its obligations when due and management continuously monitoring and reviewing cash flow.

Capital management

The Bermuda Red Cross manages its capital to mitigate the foregoing risks and to provide reasonable assurance that it will be able to meet its financial obligations, achieve its objectives and continue as a going concern. Effective May 17, 2017, the Board of Governors approved an operating reserve fund policy which sets the target minimum operating reserve fund equal to three months of average operating costs. The calculation of average monthly operating costs includes all recurring, predictable expenses such as salaries and benefits, occupancy, office, travel, program, and ongoing professional services.

BERMUDA RED CROSS

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED DECEMBER 31, 2017

(Expressed in Bermuda dollars)

15. CORRESPONDING FIGURES

Certain corresponding figures have been reclassified to conform to the current year financial statement presentation.

16. SUBSEQUENT EVENTS

Subsequent to year end, Bermuda Red Cross purchased an equipment rental point of sales operating system for \$20,859.

BERMUDA RED CROSS
SCHEDULE 1
FOR THE YEAR ENDED DECEMBER 31, 2017

(Expressed in Bermuda dollars)

	2017	2016
OTHER EXPENSES		
AED supplies	\$ 37,881	\$ 28,884
CPR supplies	26,413	9,014
Miscellaneous expenses	24,743	21,274
Dues and subscriptions	14,615	7,489
Bank charges	13,573	13,743
Bad debt expense	10,851	1,129
Travel expense	8,233	5,456
Cleaning expense	8,281	10,459
Website	8,010	7,132
Photocopier rental	6,822	8,150
Telephone expenses	5,592	2,782
Office supplies	3,970	5,646
Vehicle expense	1,846	2,425
Repairs and maintenance	186	612
Postage	-	2,242
	<u> </u>	<u> </u>
Total other expenses	\$ <u>171,016</u>	\$ <u>126,437</u>