

BERMUDA RED CROSS
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2018



Arthur Morris & Company Limited
Chartered Professional Accountants

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INDEPENDENT AUDITORS' REPORT

To the Board of Governors of Bermuda Red Cross

Qualified Opinion

We have audited the accompanying financial statements of Bermuda Red Cross (the "Charity"), which comprise the statement of financial position as at December 31, 2018, and the related statements of operations and changes in surplus, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of revenues as described in the Basis for Qualified Opinion section of our report, these financial statements present fairly, in all material respects, the financial position of the Charity as at December 31, 2018 and the results of its operations and its cash flows for the year then ended in accordance with Part III of the Canadian Professional Accountants ("CPA") Handbook - Accounting Standards for Not-for-Profit Organizations ("ASNPO").

Basis for Qualified Opinion

As common with many not-for-profit organizations, the Charity derives its revenue from donations, thrift shop sales, fundraising events, and equipment rentals, 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, if any, might be necessary to revenues and net assets.

We conducted our audit in accordance with Canadian Generally Accepted Auditing Standards ("CAS"). 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 of the Chartered professional Accountants of Bermuda Rules of Professional Conduct ("CPA Bermuda Rules") that are relevant to our audit of financial statements in Bermuda. We have fulfilled our 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 these financial statements in accordance with Chartered Professional Accountants Handbook, Part III – Accounting Standards for Not-for-Profit Organizations ("ASPNO"), 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 CAS 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 CAS, 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

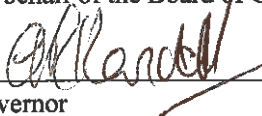
Arthur Morris + Company Limited

**Hamilton, Bermuda
October 3, 2019**

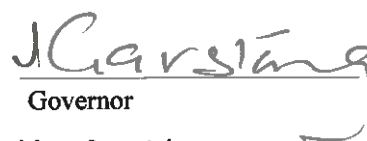
BERMUDA RED CROSS
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018
(Expressed in Bermuda dollars)

	2018	2017
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents (note 4)	\$ 137,008	\$ 106,892
Accounts receivable (note 2d)	64,541	36,778
Inventory	20,323	34,919
Prepaid expense	4,826	-
	226,698	178,589
DUE FROM RELATED PARTY (note 3)	11,241	55,655
CAPITAL ASSETS (note 5)	14,279	18,460
	\$ 252,218	\$ 252,704
CURRENT LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses (note 6)	39,839	45,654
Disaster relief payable (note 7)	405	6,204
Deferred income	10,722	13,295
Restricted funds (note 8)	3,468	1,751
	54,434	66,904
NET ASSETS		
Capital	10,000	10,000
Surplus	187,784	175,800
	197,784	185,800
	\$ 252,218	\$ 252,704

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, 2018

(Expressed in Bermuda dollars)

	2018	2017
REVENUES		
Net proceeds from thrift shop (note 10)	\$ 248,412	\$ 266,141
Net proceeds from hospital equipment rental (note 11)	159,660	176,529
First Aid course fees and supply sales	142,371	132,609
Net proceeds from fundraising events (note 12)	113,089	98,140
Donations	66,094	123,513
AED machines and supply sales	51,495	69,820
Donation - audit fees (note 13)	22,000	22,000
DRR programme income	14,438	12,680
Donation - internet technology consulting fees (note 13)	6,575	5,000
Rental income - conference room	5,565	5,080
Other income	2,487	1,373
Lifeguard income	1,365	4,260
	<u>833,551</u>	<u>917,145</u>
EXPENSES		
Wages and wage related expenses (note 9)	531,262	537,599
Other expenses (Schedule 1)	156,662	159,427
Rent expense (note 3)	60,000	60,000
Audit fees (note 13)	22,000	22,000
Accounting	19,438	12,200
DRR programme expenses	14,438	16,001
Internet technology consulting fees (note 13)	6,575	5,000
Depreciation (note 5)	5,503	11,189
Advertising	5,244	13,332
Professional and legal expenses	445	420
	<u>821,567</u>	<u>837,168</u>
TOTAL EXPENSES		
	<u>821,567</u>	<u>837,168</u>
EXCESS OF REVENUES OVER EXPENSES	11,984	79,977
SURPLUS, beginning of year	<u>175,800</u>	<u>95,823</u>
SURPLUS, end of year	<u>\$ 187,784</u>	<u>\$ 175,800</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, 2018

(Expressed in Bermuda dollars)

	2018	2017
CASH AND CASH EQUIVALENTS PROVIDED BY (USED FOR):		
OPERATING ACTIVITIES		
Excess of revenues over expenses	\$ 11,984	\$ 79,977
Items not involving a movement of cash:		
Loss on disposal of capital assets	-	2,891
Depreciation	5,503	11,189
	<u>17,487</u>	<u>94,057</u>
Changes in non-cash operating balances:		
Accounts receivable	(27,763)	(3,507)
Inventory	14,596	1,409
Prepaid Expenses	(4,826)	-
Due from related party	44,414	49,179
Accounts payable and accrued expenses	(5,815)	(35,232)
Disaster relief payable	(5,799)	5,923
Deferred income	(2,573)	12,055
Restricted funds	1,717	(16,854)
	<u>31,438</u>	<u>107,030</u>
Cash and cash equivalents (used for) provided by operating activities		
	<u>31,438</u>	<u>107,030</u>
INVESTING ACTIVITIES		
Purchase of capital assets	(1,322)	(14,855)
	<u>(1,322)</u>	<u>(14,855)</u>
Cash and cash equivalents used for investing activities		
	<u>(1,322)</u>	<u>(14,855)</u>
INCREASE IN CASH AND CASH EQUIVALENTS	30,116	92,175
CASH AND CASH EQUIVALENTS, beginning of year	106,892	14,717
	<u>106,892</u>	<u>14,717</u>
CASH AND CASH EQUIVALENTS, end of year	\$ 137,008	\$ 106,892
	<u><u>137,008</u></u>	<u><u>106,892</u></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, 2018

(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 October 3, 2019.

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 First Aid supplies included in other expenses (schedule 1).

BERMUDA RED CROSS

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED DECEMBER 31, 2018

(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 equipment	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 \$16,219 (2017 - \$14,469).

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 2019 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, 2018

(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 (2017 - \$60,000) was paid to the Trust during the year.

The balance due from the Trust in the amount of \$11,241 (2017 - \$55,655) 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:

	2018	2017
Cash in bank	\$ 128,197	\$ 94,396
Disaster risk reduction funds	8,111	11,489
Disaster relief funds (note 7)	<u>700</u>	<u>1,007</u>
	<u>\$ 137,008</u>	<u>\$ 106,892</u>

As at December 31, 2018, Bermuda Red Cross held an overdraft facility of \$35,000 (2017 - \$35,000). The overdraft facility incurs interest at the bank's base rate plus 2% and expired on June 30, 2019. The overdraft facility was not renewed subsequent to year end.

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.

At December 31, 2018, total cash of \$3,873 (2017 - \$7,955) was restricted in relation to deferred donations restricted for future activities.

BERMUDA RED CROSS

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED DECEMBER 31, 2018

(Expressed in Bermuda dollars)

5. CAPITAL ASSETS

Capital assets are comprised of the following:

			<u>2018</u>	<u>2017</u>
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Furniture and fixtures	\$ 42,864	\$ 41,288	\$ 1,576	\$ 1,925
ER equipment	131,529	126,344	5,185	6,415
Vehicle	95,620	95,620	-	-
Computer equipment and software	91,826	90,893	933	2,590
Thrift Shop equipment	7,181	6,855	326	489
DRR equipment	4,014	4,014	-	-
Mannequins	<u>13,791</u>	<u>7,532</u>	<u>6,259</u>	<u>7,041</u>
	<u>\$ 386,825</u>	<u>\$ 372,546</u>	<u>\$ 14,279</u>	<u>\$ 18,460</u>

As of December 31, 2018, assets with a cost of \$362,463 (2017 - \$350,679) are fully depreciated and still in use by the Bermuda Red Cross.

During the year, the Bermuda Red Cross purchased capital assets amounting to \$1,323 (2017 - \$14,855). During 2017, the Bermuda Red Cross also retired fully depreciated capital assets with a cost of \$4,196 and accumulated depreciation of \$1,305. The loss on disposal of \$2,891 is included in miscellaneous expenses in schedule 1.

BERMUDA RED CROSS

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED DECEMBER 31, 2018

(Expressed in Bermuda dollars)

6. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

As of December 31, 2018, accounts payable and accrued expenses includes amounts of \$2,335 (2017 - \$1,792) due to the Government of Bermuda relating to social insurance, and \$5,798 (2017 - \$4,995) 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, 2018 are held in the Bermuda Red Cross' general purpose bank accounts.

8. RESTRICTED FUNDS

Restricted funds are comprised of the following:

	ER Funds	Vehicle Funds	Total
Funds, beginning	\$ 1,457	\$ 294	\$ 1,751
Funds received	4,998	-	4,998
Amounts recognized as revenue during the year	<u>(2,987)</u>	<u>(294)</u>	<u>(3,281)</u>
Funds, end of year	<u>\$ 3,468</u>	<u>\$ -</u>	<u>\$ 3,468</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, 2018 amounted to \$19,862 (2017 - \$19,303).

BERMUDA RED CROSS
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED DECEMBER 31, 2018
(Expressed in Bermuda dollars)

10. THRIFT SHOP

Net proceeds from the thrift shop comprise the following:

	2018	2017
Revenue	\$ 263,036	\$ 279,956
Direct expenses	<u>(14,624)</u>	<u>(13,815)</u>
Net proceeds from thrift shop	<u>\$ 248,412</u>	<u>\$ 266,141</u>

11. EQUIPMENT RENTAL

Net proceeds from the hospital equipment rental comprise the following:

	2018	2017
Revenue	\$ 171,853	\$ 188,118
Direct expenses	<u>(12,193)</u>	<u>(11,589)</u>
Net proceeds from hospital equipment rental	<u>\$ 159,660</u>	<u>\$ 176,529</u>

BERMUDA RED CROSS

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED DECEMBER 31, 2018

(Expressed in Bermuda dollars)

12. FUNDRAISING EVENTS

Net proceeds from fundraising events comprise the following:

	2018	2017
Revenues		
Dinner/dance	\$ 101,445	\$ 81,865
Raffle	20,205	26,446
Red White and Do	21,787	19,225
Other events	<u>32,269</u>	<u>18,091</u>
	<u>175,706</u>	<u>145,627</u>
Direct expenses		
Event expenses	51,189	36,201
Raffle expenses	8,401	9,265
Rentals	<u>3,027</u>	<u>2,021</u>
	<u>62,617</u>	<u>47,487</u>
Net proceeds from fundraising events	<u>\$ 113,089</u>	<u>\$ 98,140</u>

13. DONATIONS

Audit fees in the amount of \$22,000 (2017 - \$22,000) were recorded as a donation for the year ended December 31, 2018.

Internet technology consulting fees in the amount of \$6,575 (2017 - \$5,000) were recorded as a donation for the year ended December 31, 2018.

BERMUDA RED CROSS

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED DECEMBER 31, 2018

(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
SCHEDULE 1
FOR THE YEAR ENDED DECEMBER 31, 2018

(Expressed in Bermuda dollars)

	2018	2017
OTHER EXPENSES		
AED supplies	\$ 47,006	\$ 37,881
Miscellaneous expenses	20,736	13,665
First Aid supplies	16,613	26,413
Dues and subscriptions	14,458	14,615
Bank charges	12,452	13,573
Website	10,182	8,010
Travel expense	7,357	8,233
Bad debt expense	6,614	10,851
Cleaning expense	6,379	8,281
Photocopier rental	5,994	6,822
Telephone expenses	3,896	5,081
Office supplies	3,177	3,970
Vehicle expense	1,716	1,846
Repairs and maintenance	82	186
	<u> </u>	<u> </u>
Total other expenses	<u>\$ 156,662</u>	<u>\$ 159,427</u>

