

BERMUDA RED CROSS
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2020



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, 2020, 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, 2020 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
November 19, 2021**

BERMUDA RED CROSS
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020
(Expressed in Bermuda dollars)

	2020	2019
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents (note 4)	\$ 266,446	\$ 133,485
Accounts receivable (note 2d)	15,900	20,767
Inventory	14,575	24,199
Prepaid expense	<u>5,657</u>	<u>1,351</u>
	302,578	179,802
CAPITAL ASSETS (note 5)	<u>25,960</u>	<u>32,129</u>
	<u>\$ 328,538</u>	<u>\$ 211,931</u>
CURRENT LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses (note 6)	27,750	37,724
Disaster relief payable (note 7)	355	5,558
Deferred income	1,175	5,775
Due to related party (note 3)	26,439	4,522
Restricted funds (note 8)	<u>18,044</u>	<u>25,342</u>
	<u>73,763</u>	<u>78,921</u>
NET ASSETS		
Capital	10,000	10,000
Surplus	<u>244,775</u>	<u>123,010</u>
	<u>254,775</u>	<u>133,010</u>
	<u>\$ 328,538</u>	<u>\$ 211,931</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, 2020

(Expressed in Bermuda dollars)

	2020	2019
REVENUES		
Donations	\$ 548,791	\$ 69,098
Net proceeds from thrift shop (note 10)	152,045	248,835
Net proceeds from hospital equipment rental (note 11)	72,680	108,603
First Aid course fees and supply sales	63,658	123,656
AED machines and supply sales	25,005	84,270
Donation - audit fees (note 13)	23,000	22,000
DRR programme income	8,699	13,063
Net proceeds from fundraising events (note 12)	7,234	96,266
Rental income - conference room	2,610	5,915
Other income	2,398	2,172
CPR supplies	60	-
Lifeguard income	-	540
	<u>906,180</u>	<u>774,418</u>
EXPENSES		
Wages and wage related expenses (note 9)	518,422	545,167
Other expenses (Schedule 1)	144,861	163,323
Rent expense (note 3)	60,000	60,000
Audit fees (note 13)	23,000	22,000
Accounting	12,140	19,000
DRR programme expenses	11,196	19,216
Depreciation (note 5)	8,601	8,118
Advertising	5,650	1,923
Professional and legal expenses	545	445
	<u>784,415</u>	<u>839,192</u>
TOTAL EXPENSES	<u>784,415</u>	<u>839,192</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	121,765	(64,774)
SURPLUS, beginning of year	<u>123,010</u>	<u>187,784</u>
SURPLUS, end of year	<u>\$ 244,775</u>	<u>\$ 123,010</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, 2020

(Expressed in Bermuda dollars)

	2020	2019
CASH AND CASH EQUIVALENTS PROVIDED BY (USED FOR):		
OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenses	\$ 121,765	\$ (64,774)
Items not involving a movement of cash:		
Depreciation	8,601	8,118
	130,366	(56,656)
Changes in non-cash operating balances:		
Accounts receivable	4,867	43,774
Inventory	9,624	(3,876)
Prepaid Expenses	(4,306)	3,475
Due from related party	21,917	15,763
Accounts payable and accrued expenses	(9,974)	(2,115)
Disaster relief payable	(5,203)	5,153
Deferred income	(4,600)	(4,947)
Restricted funds	(7,298)	21,874
	135,393	22,445
INVESTING ACTIVITIES		
Purchase of capital assets	(2,432)	(25,968)
	(2,432)	(25,968)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	132,961	(3,523)
CASH AND CASH EQUIVALENTS, beginning of year	133,485	137,008
CASH AND CASH EQUIVALENTS, end of year	\$ 266,446	\$ 133,485

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, 2020

(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 November 19, 2021.

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, 2020

(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 \$1,205 (2019 - \$7,586).

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 Bermuda Red Cross events and courses relating to future periods.

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, 2020

(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 (2019 - \$60,000) was paid to the Trust during the year.

The balance due to the Trust in the amount of \$26,439 (2019 - \$4,522) 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:

	2020	2019
Cash in bank	\$ 262,583	\$ 124,692
Disaster risk reduction funds	2,601	2,264
Disaster relief funds (note 7)	<u>1,262</u>	<u>6,529</u>
	<u>\$ 266,446</u>	<u>\$ 133,485</u>

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, 2020, total cash of \$18,399 (2019 - \$30,900) 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, 2020

(Expressed in Bermuda dollars)

5. CAPITAL ASSETS

Capital assets are comprised of the following:

			2020	2019
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Furniture and fixtures	\$ 44,771	\$ 42,169	\$ 2,602	\$ 3,039
ER equipment	131,529	128,876	2,653	3,523
Vehicle	18,449	7,379	11,070	14,759
Computer equipment and software	97,437	94,580	2,857	14,759
Thrift Shop equipment	8,426	7,430	996	163
DRR equipment	5,201	4,113	1,088	-
Mannequins	<u>13,791</u>	<u>9,097</u>	<u>4,694</u>	<u>5,477</u>
	<u>\$ 319,604</u>	<u>\$ 293,644</u>	<u>\$ 25,960</u>	<u>\$ 32,129</u>

As of December 31, 2020, assets with a cost of \$271,834 (2019 - \$271,834) are fully depreciated and still in use by the Bermuda Red Cross.

During the year, the Bermuda Red Cross purchased capital assets amounting to \$2,432 (2019 - \$25,966).

BERMUDA RED CROSS

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED DECEMBER 31, 2020

(Expressed in Bermuda dollars)

6. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

As of December 31, 2020, accounts payable and accrued expenses includes amounts of \$2,047 (2019 - \$2,155) due to the Government of Bermuda relating to social insurance, and \$5,044 (2019 - \$5,982) 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, 2020 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	DRR Funds	Total
Funds, beginning	\$ 9,541	\$ 14,871	\$ 930	\$ 25,342
Funds received	12,098	-	1,187	13,285
Amounts recognized as revenue during the year	<u>(16,682)</u>	<u>(3,802)</u>	<u>(99)</u>	<u>(20,583)</u>
Funds, end of year	\$ <u>4,957</u>	\$ <u>11,069</u>	\$ <u>2,018</u>	\$ <u>18,044</u>

Restricted funds are donations externally restricted for the following future uses: Equipment Rental ("ER") funds for the use of ER related expenses; Disaster Risk Reduction ("DRR") funds for the use of DRR related expenses; 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, 2020 amounted to \$16,587 (2019 - \$17,053).

During the year, employees accepted a 20% pay reduction in order to assist the charitable activities of the Bermuda Red Cross during the pandemic.

BERMUDA RED CROSS

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED DECEMBER 31, 2020

(Expressed in Bermuda dollars)

10. THRIFT SHOP

Net proceeds from the thrift shop comprise the following:

	2020	2019
Revenue	\$ 160,615	\$ 262,024
Direct expenses	<u>(8,570)</u>	<u>(13,189)</u>
Net proceeds from thrift shop	<u>\$ 152,045</u>	<u>\$ 248,835</u>

11. EQUIPMENT RENTAL

Net proceeds from the hospital equipment rental comprise the following:

	2020	2019
Revenue	\$ 84,937	\$ 124,904
Direct expenses	<u>(12,257)</u>	<u>(10,689)</u>
Net proceeds from hospital equipment rental	<u>\$ 72,680</u>	<u>\$ 108,603</u>

BERMUDA RED CROSS

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED DECEMBER 31, 2020

(Expressed in Bermuda dollars)

12. FUNDRAISING EVENTS

Net proceeds from fundraising events comprise the following:

	2020	2019
Revenues		
Dinner/dance	\$ -	\$ 99,411
Raffle	-	20,473
Virtual concert	10,089	-
Red White and Do	800	16,968
Other events	<u>9,147</u>	<u>10,480</u>
	<u>20,036</u>	<u>147,332</u>
Direct expenses		
Event expenses	11,408	37,525
Rentals	1,394	3,140
Raffle expenses	<u>-</u>	<u>10,401</u>
	<u>12,802</u>	<u>51,066</u>
Net proceeds from fundraising events	\$ <u><u>7,234</u></u>	\$ <u><u>96,266</u></u>

13. DONATIONS

Audit fees in the amount of \$23,000 (2019 - \$22,000) were recorded as a donation for the year ended December 31, 2020.

BERMUDA RED CROSS

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED DECEMBER 31, 2020

(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, 2020

(Expressed in Bermuda dollars)

15. SUBSEQUENT EVENTS

Management has evaluated subsequent events for recognition and disclosure to November 19, 2021 which is the date that the financial statements were available to be issued.

On March 11, 2020, the World Health Organization declared the outbreak of coronavirus (COVID-19) a pandemic. As a result, economic uncertainties have arisen that have had serious and adverse consequences to business conditions around the globe. The COVID-19 outbreak continues to have limitations on travel, transportation, education, production of goods, provision of services and businesses operations generally. Although the long-term economic fallout of COVID-19 is difficult to predict, the challenging business conditions currently faced by the Charity may have adverse effects. At the current time, we are unable to quantify the potential effects of this pandemic on future financial statements.

BERMUDA RED CROSS
SCHEDULE 1
FOR THE YEAR ENDED DECEMBER 31, 2020

(Expressed in Bermuda dollars)

	2020	2019
OTHER EXPENSES		
Covid-19 relief support expense	\$ 53,203	\$ -
AED supplies	25,212	52,779
Website	23,771	7,885
Bank charges	7,154	12,629
Dues and subscriptions	6,194	17,770
Cleaning expense	4,820	8,211
Photocopier rental	4,372	6,008
First Aid supplies	3,385	12,539
Telephone expenses	3,360	3,230
Vehicle expense	2,457	485
Office supplies	2,184	4,150
Travel expense	1,286	15,178
Bad debt (recovery) expense	(1,921)	2,858
Miscellaneous expenses	9,384	19,336
Repairs and maintenance	<u>-</u>	<u>265</u>
Total other expenses	<u>\$ 144,861</u>	<u>\$ 163,323</u>