

**MEALS ON WHEELS LONDON**

**FINANCIAL STATEMENTS**

**MARCH 31, 2019**



**MEALS ON WHEELS LONDON**  
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**MARCH 31, 2019**

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Chartered Professional Accountants

## INDEPENDENT AUDITOR'S REPORT

To the Directors of:  
Meals on Wheels London

### Qualified Opinion

We have audited the accompanying financial statements of Meals on Wheels London, which comprise of the statement of financial position as at March 31, 2019, the statements of operations, changes in accumulated net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Meals on Wheels London as at March 31, 2019, and its financial performance and its cash flows for the year ended March 31, 2019 in accordance with Canadian accounting standards for not-for-profit organizations.

### Basis for Qualified Opinion

In common with many not-for-profit organizations, the organization derives revenue from donations and fundraising activity, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of donation and fundraising revenues, in the fiscal year ending March 31, 2019 and the fiscal year ending March 31, 2018 was limited to the amounts recorded in the records of the organization. Accordingly, we are unable to determine whether any adjustments for unrecorded amounts might be necessary to revenues, excess (deficit) of revenues over expenditures and net assets.

We conducted our audit in accordance with Canadian generally accepted auditing standards. 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 organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada 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 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 Canadian 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 organization'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 organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the organization'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 generally accepted auditing standards 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.

A further description of the auditor's responsibilities for the audit of the financial statements is located on Davis Martindale LLP's website. This description forms part of our auditor's report.  
[https://www.davismartindale.com/auditors\\_report](https://www.davismartindale.com/auditors_report)

London, Ontario  
June 18, 2019

*Davis Martindale LLP*

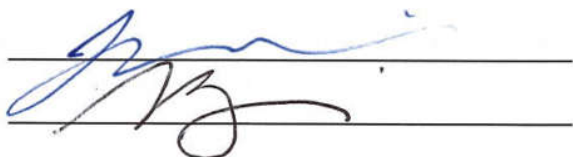
Chartered Professional Accountants  
Licensed Public Accountants



**MEALS ON WHEELS LONDON**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT MARCH 31, 2019**

<b>ASSETS</b>		<b>2019</b>	<b>2018</b>
<b>Current Assets</b>			
Cash - general fund	\$	59,340	\$ 81,746
Cash - fund 3		100,875	138,518
Investments - fund 3 (note 3)		507,431	485,168
Accounts receivable		113,826	116,822
HST rebate recoverable		14,001	13,991
Inventory		7,960	3,234
Prepaid expense		<u>3,260</u>	<u>5,300</u>
		806,693	844,779
<b>Tangible Capital Assets (note 4)</b>		<u>25,807</u>	<u>51,437</u>
	\$	<u>832,500</u>	\$ <u>896,216</u>
<b>LIABILITIES AND NET ASSETS</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued liabilities	\$	82,536	\$ 133,589
Government remittances payable		17,293	-
Deferred revenue (note 6)		<u>7,442</u>	<u>15,000</u>
		107,271	148,589
<b>Deferred Contributions (note 7)</b>		<u>24,915</u>	<u>49,752</u>
		132,186	198,341
<b>Commitments (note 8)</b>			
<b>Net Assets</b>			
Fund 3		<u>700,314</u>	<u>697,875</u>
	\$	<u>832,500</u>	\$ <u>896,216</u>

**APPROVED ON BEHALF OF THE BOARD:**



Director

Director

*The attached Independent Auditor's Report and notes  
form an integral part of these audited financial statements.*



**MEALS ON WHEELS LONDON**  
**STATEMENT OF CHANGES IN ACCUMULATED NET ASSETS**  
**FOR THE YEAR ENDED MARCH 31, 2019**

	2019	2018
<b><u>General Fund</u></b>		
Balance, Beginning of Year	\$ -	\$ -
Interfund Transfers (note 11)	21,786	38,032
Deficit of Revenue over Expenditures	<u>(21,786)</u>	<u>(38,032)</u>
Balance, End of Year	\$ <u>-</u>	\$ <u>-</u>
<b><u>Fund 3</u></b>		
Balance, Beginning of Year	\$ 697,875	\$ 713,732
Interfund Transfers (note 11)	(21,786)	(38,032)
Excess of Revenue over Expenditures	<u>24,225</u>	<u>22,175</u>
Balance, End of Year	\$ <u>700,314</u>	\$ <u>697,875</u>

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**MEALS ON WHEELS LONDON**  
**STATEMENT OF OPERATIONS**  
**FOR THE YEAR ENDED MARCH 31, 2019**

	<b>General Fund</b>	<b>Fund 3 (note 9)</b>	<b>2019</b>	<b>2018 (note 13)</b>
<b>Revenue</b>				
LHIN Grant	\$ 438,564	\$ -	\$ 438,564	\$ 507,453
United Way Grant	92,920	-	92,920	91,000
Canada-Ontario Job Grant Training Agreement Grant	-	69,517	69,517	-
Westminster College Grant	-	7,558	7,558	-
Ontario Trillium Foundation Grant	-	-	-	66,512
Ministry of Employment and Social Development Grant	-	-	-	24,501
City of London Grant	19,000	-	19,000	19,000
Meal service - standard	430,149	-	430,149	432,904
Meal service - frozen	299,781	-	299,781	333,391
Fundraising initiatives	149,585	-	149,585	233,529
PSW management fee	-	70,087	70,087	68,929
Transportation service	65,664	-	65,664	68,953
Gas reimbursement donations	26,807	-	26,807	25,114
Interest	<u>-</u>	<u>3,381</u>	<u>3,381</u>	<u>5,315</u>
	1,522,470	150,543	1,673,013	1,876,601
<b>Expenditures</b>				
Meals (direct costs)	636,238	-	636,238	679,875
Salaries and benefits	558,339	59,337	617,676	709,061
Meal subsidy programs	80,321	-	80,321	67,521
Meal subsidy - United Way	37,230	-	37,230	36,500
Volunteer gas	62,317	-	62,317	65,730
Occupancy costs	49,791	-	49,791	48,713
Office	43,935	10,066	54,001	72,303
Technology	10,806	-	10,806	11,234
Volunteer services	3,445	-	3,445	24,390
Fundraising and marketing	11,842	3,250	15,092	64,907
Professional fees	21,304	3,000	24,304	42,070
Van operations	12,859	-	12,859	10,805
Staff training (recovery)	(3,814)	75,328	71,514	55,530
Insurance	5,306	-	5,306	5,647
Crisis fund	225	-	225	3,177
Travel	3,925	2,558	6,483	2,324
Memberships	2,760	-	2,760	1,010
Bad debt	<u>6,633</u>	<u>-</u>	<u>6,633</u>	<u>5,700</u>
	1,543,462	153,539	1,697,001	1,906,497
<b>Deficit of Revenue over Expenditures before Other Items</b>	<b>\$ (20,992)</b>	<b>\$ (2,996)</b>	<b>\$ (23,988)</b>	<b>\$ (29,896)</b>
<b>Other Items</b>				
Amortization of deferred capital contributions	24,837	-	24,837	38,074
Amortization of tangible capital assets	(25,631)	-	(25,631)	(38,645)
Realized income on investments	-	18,680	18,680	10,983
Unrealized gain on investments	<u>-</u>	<u>8,541</u>	<u>8,541</u>	<u>3,626</u>
	(794)	27,221	26,427	14,038
<b>Excess (Deficit) of Revenue over Expenditures</b>	<b>\$ (21,786)</b>	<b>\$ 24,225</b>	<b>\$ 2,439</b>	<b>\$ (15,858)</b>

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**MEALS ON WHEELS LONDON**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED MARCH 31, 2019**

	<b>2019</b>	<b>2018</b>
<b>Cash Flows from Operating Activities</b>		
Excess (deficit) of revenue over expenditures	\$ 2,439	\$ (15,858)
Items not requiring an outlay of cash:		
Amortization	25,631	38,645
Amortization of deferred contributions	(24,837)	(38,074)
Unrealized gain on investments	<u>(8,541)</u>	<u>(3,626)</u>
	(5,308)	(18,913)
Changes in non-cash working capital:		
Accounts receivable	2,996	(27,590)
Due from PSW training project	-	21,329
HST recoverable	(10)	(126)
Inventory	(4,726)	(1,434)
Prepaid expenses	2,040	3,569
Accounts payable and accrued liabilities	(51,054)	34,795
Government remittances payable	17,293	(14,950)
Deferred revenue	<u>(7,558)</u>	<u>(71,898)</u>
	<u>(41,019)</u>	<u>(56,305)</u>
<b>Net Cash Used in Operating Activities</b>	(46,327)	(75,218)
<b>Cash Flows from Financing Activities</b>		
Deferred capital contributions received	-	9,597
<b>Cash Flows from Investing Activities</b>		
Additions to tangible capital assets	-	(10,473)
Increase in short-term investments	<u>(13,722)</u>	<u>(341,423)</u>
<b>Net Cash Used in Investing Activities</b>	<u>(13,722)</u>	<u>(351,896)</u>
<b>Net Decrease in Cash</b>	(60,049)	(417,517)
<b>Cash, Beginning of Year</b>	<u>220,264</u>	<u>637,781</u>
<b>Cash, End of Year</b>	<u>\$ 160,215</u>	<u>\$ 220,264</u>
<b>Represented By:</b>		
Cash - general fund	\$ 59,340	\$ 81,746
Cash - fund 3	<u>100,875</u>	<u>138,518</u>
	<u>\$ 160,215</u>	<u>\$ 220,264</u>

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**MEALS ON WHEELS LONDON**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2019**

**1. Nature of the Business**

Meals on Wheels London (the "organization") offers services to people with the desire to live full and independent lives in their own homes, despite the challenges of age and disability. The organization is incorporated without share capital under the Ontario Corporations Act and is exempt from income tax under Section 149 (1)(1) of the Income Tax Act, Canada.

**2. Significant Accounting Policies**

The accompanying financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations. Those policies that are considered to be particularly significant are outlined below:

**(a) Fund Accounting**

In order to ensure observance of the limitations and restrictions placed on the use of resources available to the organization, the accounts of the organization are maintained in accordance with the principles of "fund accounting". Accordingly, resources are classified for accounting and reporting purposes into funds. These funds are held in accordance with the objectives specified by the donors or in accordance with directives issued by the Board of Directors. Transfers between the funds are made when it is considered appropriate and authorized by the Board of Directors. To meet these objectives of financial reporting and stewardship over assets, certain inter-fund transfers may be necessary to ensure the appropriate allocation of assets and liabilities to the respective funds. These inter-fund transfers are recorded as a component of changes in fund balances.

For financial statement purposes, the accounts have been classified into the following funds:

**i) General Fund**

The General Fund accounts for the organization's administrative and operating activities financed by client fees, grants and other general income. The Ministry of Health and Long Term Care ("MOHLTC"), the South West Local Health Integration Network ("SW LHIN") and The United Way of London & Middlesex ("United Way") allocate grants to the program for which their use has been approved, and expenditures are recorded within the appropriate program. The General Fund reports unrestricted resources available for immediate purposes. Unrestricted investment income is allocated to the general fund.

**ii) Fund 3**

Fund 3 includes funds that have been internally restricted by the Board of Directors.

**(b) Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand and on deposit, less cheques issued and outstanding at the reporting date.

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**MEALS ON WHEELS LONDON**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2019**

**2. Significant Accounting Policies (continued)**

(c) Investments

The organization's investments consist of equity mutual funds, which are initially recognized and subsequently measured at fair value. Transaction costs that are directly attributable to the acquisition of these investments are an adjustment to the fair value when initially recognized.

(d) Inventory

Inventory is valued as the lower of cost and net realizable value. Cost is calculated on the weighted average cost basis.

(e) Tangible Capital Assets and Amortization

Tangible capital assets and leasehold improvements purchased by Meals on Wheels London are recorded at cost. Amortization is recorded in the accounts on the straight-line method using the annual rates described in note 4. No amortization is charged in the month of acquisition.

(f) Impairment of Long-lived Assets

Long-lived assets are tested for impairment when events or changes in circumstances indicate that their carrying value may not be recoverable. An impairment loss is recognized when the carrying value exceeds the total undiscounted cash flows expected from their use and eventual disposition. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair value.

(g) Deferred Capital Contributions

Grants received for the purchase of depreciable capital assets are recorded as deferred capital contributions and amortized over the estimated useful life of the related asset.

(h) Revenue Recognition

Meals on Wheels London 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 received or receivable if the amount can be reasonably estimated and collection is reasonably assured. Endowment contributions, if any, are recognized as direct increases in net assets.

Meal service is recorded as revenue when meals are delivered. Transportation and PSW management fees are recorded as revenue when services are rendered. Interest income is recognized as earned in the appropriate fund. Fundraising income is recognized as earned at the time of the event.

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**MEALS ON WHEELS LONDON**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2019**

**2. Significant Accounting Policies (continued)**

(i) Contributed Services

Volunteers contribute many hours per year to assist Meals on Wheels London in carrying out its activities. Because of the difficulty in determining their fair value, these contributed services are not recognized in the financial statements.

(j) Use of Estimates

The preparation of the financial statements of the organization in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(k) Financial Instruments

The organization's financial instruments consist of cash, investments, accounts receivable, HST rebate recoverable, government remittances recoverable, accounts payable and accrued liabilities, and government remittances payable. The organization initially recognizes these financial instruments at fair value and subsequently, except for investments, at amortized cost. Investments are subsequently measured at fair value. Changes in fair value are recognized in net income.

**3. Investments**

The investments consist of the following:

	<b>2019</b>	<b>2018</b>
	<b>FMV</b>	<b>FMV</b>
CIBC Wood Gundy - Equity Mutual Funds	\$ <u>507,431</u>	\$ <u>485,168</u>

**4. Tangible Capital Assets**

		<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net 2019</b>	<b>Net 2018</b>
Computer hardware	3 yr S.L.	\$ 102,070	\$ 92,350	\$ 9,720	\$ 17,046
Furniture and equipment	5 yr S.L.	118,758	108,517	10,241	20,750
Leaseholds	3 yr S.L.	47,676	41,830	5,846	13,641
Vehicle	3 yr S.L.	<u>28,839</u>	<u>28,839</u>	<u>-</u>	<u>-</u>
		\$ <u>297,343</u>	\$ <u>271,536</u>	\$ <u>25,807</u>	\$ <u>51,437</u>

During the year amortization of \$25,631 (2018 - \$38,645) was recorded.

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**MEALS ON WHEELS LONDON**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2019**

**5. PSW Training Project**

The organization has an agreement with the MOHLTC, whereby the organization receives funds from the Ministry, in trust, and disburses them in accordance with the terms of the agreement as it related to the administration and delivery of Personal Support Workers (PSW) Training Programs in the Southwestern Ontario region.

(a) The following summarized funds received and disbursed in accordance with this agreement.

	<b>2019</b>	<b>2018</b>
Funds received from MOHLTC	\$ 716,926	\$1,148,210
Interest earned	<u>14,308</u>	<u>5,025</u>
	<u>731,234</u>	<u>1,153,235</u>
Disbursements, in accordance with agreement	465,871	609,734
Administration expenditures	<u>70,087</u>	<u>68,929</u>
	<u>535,958</u>	<u>678,663</u>
Excess of funds received over funds disbursed for specified purposes during the year	195,276	474,572
Project funds held in trust, beginning of the year	474,572	457,817
Less: project funds repaid in the year	<u>(466,412)</u>	<u>(457,817)</u>
Project fund held in trust, end of the year	<u>\$ 203,436</u>	<u>\$ 474,572</u>

**5. PSW Training Project (continued)**

(b) The following summarizes assets and liabilities that are held in trust for the project at year-end.

	<b>2019</b>	<b>2018</b>
Libro Financial Group - cash	\$ 657,838	\$ 785,814
Accounts receivable from eligible organization	35,671	-
MOH accounts receivable	<u>-</u>	<u>262,821</u>
	693,509	1,048,635
Accounts payable by the project paid in the year	490,073	574,063
Project funds held in trust, end of the year	<u>203,436</u>	<u>474,572</u>
Net project capitalization	<u>693,509</u>	<u>1,048,635</u>
Due to Meals on Wheels London	<u>\$ -</u>	<u>\$ -</u>

The above amounts have not been recorded in the accompanying statement of financial position or statement operations as they are not related to the activities of the organization.

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**MEALS ON WHEELS LONDON**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2019**

**6. Deferred Revenue**

Deferred revenue represents externally restricted funds received that relate to a subsequent period. The changes in the deferred revenue balance for the year are as follows:

<b>Grant Donor</b>	<b>2019</b>	<b>2018</b>
Westminster College	\$ <u>7,442</u>	\$ <u>15,000</u>

**7. Deferred Contributions**

Deferred contributions related to tangible capital assets represent contributed tangible capital assets and restricted contributions used to purchase furniture and equipment, computer hardware and leaseholds. These contributions are being amortized into income on the same basis as the related tangible capital assets. The changes in the deferred contributions balance for the year are as follows:

	<b>2019</b>	<b>2018</b>
Balance, beginning of year	\$ 49,752	\$ 78,227
Add: increase in contributions received for capital purposes	-	9,599
Less: amortization of deferred capital contributions	<u>(24,837)</u>	<u>(38,074)</u>
Balance, end of year	\$ <u>24,915</u>	\$ <u>49,752</u>

Amortization of deferred capital contributions for the year totaled \$24,837 (2018 - \$38,074).

**8. Commitments**

The organization has long term leases with respect to its main building, depots and equipment. Future minimum lease payments as at March 31, 2019 are as follows:

Year ending March 31, 2020	\$ 46,649
March 31, 2021	3,246
March 31, 2022	3,246
March 31, 2023	<u>2,419</u>
	\$ <u>55,560</u>

**9. Fund 3**

Fund 3 represents internally restricted board fund revenues and other income, and non-LHIN associated revenue and expenditures from the management of the PSW Training Project.

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**MEALS ON WHEELS LONDON**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2019**

**10. Financial Instruments**

**Credit risk**

Credit risk arises from the potential that a counter party will fail to perform its obligations. The organization is exposed to credit risk from customers. The organization has a significant number of customers which minimizes the concentration of credit risk. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. The organization is not exposed to credit risk on the grants received from MOHLTC and SW LHIN.

**Liquidity risk**

Liquidity risk is the risk that the organization may encounter difficulty in meeting obligations associated with financial liabilities. The organization manages its liquidity risk by forecasting its cash needs on a regular basis and investing its surplus cash in easily liquidated investments.

**Market risk**

Market risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

**Currency risk**

Currency risk is the risk to the organization's operations that arise from fluctuations of foreign exchange rates. The organization is not exposed to significant currency risk as it does not have any financial instruments denominated in a foreign currency.

**Interest rate risk**

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in interest rates. In seeking to minimize the risks from interest rate fluctuations, the organization manages exposure through its normal operating and financial activities. The organization is exposed to interest rate risk as the value of marketable securities is affected by market changes in interest rates. The organization is also exposed to fluctuations in the interest rates earned on cash - Board Restricted Fund and the cash - PSW Training Project.

**Other price risk**

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual instrument or its issuer, or factors affecting similar financial instruments traded in the market. The organization's exposure to other price risk is limited to its investment in mutual funds.

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**MEALS ON WHEELS LONDON**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2019**

**11. Transfer Between Funds**

During the year, the Board of Directors approved a transfer of \$21,786 (2018 - \$38,032) from the Fund 3 to the General Fund.

**12. Employee Pension Plan**

The organization makes contributions, on behalf of its staff, to the Meals on Wheels Registered Pension Plan, which is a single employer plan. The plan is a defined contribution plan which contributions are determined as a percentage of earnings. The amount contributed to the plan for 2019 was \$7,672 (2018 - \$11,221) for current service and is included as an expenditure in the statement of operations.

At March 31, 2019 , there is no liability for past service under the agreement.

**13. Comparative Figures**

Certain of the prior years figures have been reclassified to conform to the financial statement presentation adopted in the current year.

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