

**MEALS ON WHEELS LONDON**

**FINANCIAL STATEMENTS**

**MARCH 31, 2017**



**MEALS ON WHEELS LONDON**  
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**MARCH 31, 2017**

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Chartered Professional Accountants

## **INDEPENDENT AUDITOR'S REPORT**

To the Directors of:  
Meals on Wheels London

We have audited the accompanying financial statements of Meals on Wheels London, which comprise of the statement of financial position as at March 31, 2017 and the statement of changes in net assets, and statement of operations and the statement of 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 Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted 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 disclosure in the financial statements. The procedures selected depend on the auditor's 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 controls 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.

### **Basis for Qualification**

In common with many not-for-profit organizations, this organization derives some of its revenue from donations and fundraising sources, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of donations and fundraising was limited to the amounts recorded in the records of the organization. Accordingly, we were unable to determine whether any adjustments for unrecorded amounts might be necessary to revenues, excess (deficit) of revenues over expenditures and net assets. This issue also required a qualified opinion on the financial statements for the year ended March 31, 2016.

### **Qualified Opinion**

In our opinion, except for the completeness of donations and fundraising revenues referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of Meals on Wheels London as at March 31, 2017 and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

London, Ontario  
June 13, 2017

*Davis Martindale LLP*

Chartered Professional Accountants  
Licensed Public Accountants



**MEALS ON WHEELS LONDON**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT MARCH 31, 2017**

<b>ASSETS</b>	<b>2017</b>	<b>2016</b> (note 13)
<b>Current Assets</b>		
Cash - general fund	\$ 71,269	\$ 104,210
Cash - fund 3	566,512	555,414
Short-term investments (note 3)	140,119	124,191
Accounts receivable	89,232	74,191
HST rebate recoverable	13,865	17,463
Due from PSW Training Project (note 5)	21,329	3,000
Inventory	1,800	7,204
Prepaid expense	<u>8,869</u>	<u>9,949</u>
	912,995	895,622
<b>Tangible Capital Assets (note 4)</b>	<u>79,609</u>	<u>71,832</u>
	<u>\$ 992,604</u>	<u>\$ 967,454</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	\$ 98,797	\$ 160,110
Government remittances payable	14,950	10,746
Deferred revenue (note 6)	<u>86,898</u>	<u>10,000</u>
	200,645	180,856
<b>Deferred Contributions (note 7)</b>	<u>78,227</u>	<u>71,832</u>
	278,872	252,688
<b>Commitments (note 8)</b>		
<b>Net Assets</b>		
Fund 3	<u>713,732</u>	<u>714,766</u>
	<u>\$ 992,604</u>	<u>\$ 967,454</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 NET ASSETS**  
**FOR THE YEAR ENDED MARCH 31, 2017**

	<b>2017</b>	<b>2016</b>
<b><u>General Fund</u></b>		
Balance, Beginning of Year	\$ -	\$ 180
Interfund Transfers (note 11)	24,663	88,890
Excess of Receipts over Disbursements	<u>(24,663)</u>	<u>(89,070)</u>
Balance, End of Year	<u>\$ -</u>	<u>\$ -</u>
<b><u>Fund 3</u></b>		
Balance, Beginning of Year	\$ 714,766	\$ 758,011
Interfund Transfers (note 11)	(24,663)	(88,890)
Excess of Receipts over Disbursements	<u>23,629</u>	<u>45,645</u>
Balance, End of Year	<u>\$ 713,732</u>	<u>\$ 714,766</u>

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**MEALS ON WHEELS LONDON**  
**STATEMENT OF OPERATIONS**  
**FOR THE YEAR ENDED MARCH 31, 2017**

	<b>General Fund</b>	<b>Fund 3 (note 9)</b>	<b>2017</b>	<b>2016 (note 13)</b>
<b>Revenue</b>				
Grants - LHIN	\$ 429,041	\$ -	\$ 429,041	\$ 429,041
Grants - LHIN one-time funding	-	-	-	40,525
Grants - United Way	91,000	-	91,000	91,000
Grants - Ontario Trillium Foundation	8,488	-	8,488	-
Grants - City of London	19,000	-	19,000	-
Meal service - standard	395,291	-	395,291	372,680
Meal service - frozen	321,530	-	321,530	343,615
Fundraising initiatives	162,511	-	162,511	137,419
Transportation service	80,654	-	80,654	74,630
PSW management fee	-	78,409	78,409	38,502
Gas reimbursement donations	24,008	-	24,008	22,662
Interest	<u>164</u>	<u>7,701</u>	<u>7,865</u>	<u>17,077</u>
	1,531,687	86,110	1,617,797	1,567,151
<b>Expenditures</b>				
Meals (direct costs)	630,984	-	630,984	628,539
Salaries and benefits	563,249	61,495	624,744	571,593
Meal subsidy programs	62,034	-	62,034	93,019
Meal subsidy - United Way	37,000	-	37,000	-
Volunteer gas	70,553	-	70,553	74,064
Occupancy costs	44,884	4,987	49,871	48,278
Office	44,280	7,967	52,247	41,208
Technology	15,201	1,613	16,814	60,807
Volunteer recruitment, training and recognition	14,942	-	14,942	13,836
Fundraising	13,782	-	13,782	9,299
Marketing	12,168	-	12,168	2,126
Professional fees	11,949	2,347	14,296	23,935
Van operations	10,076	-	10,076	15,270
Staff training	7,235	-	7,235	6,148
Insurance	5,979	-	5,979	5,121
Crisis fund	4,361	-	4,361	1,923
Staff travel	2,955	-	2,955	2,658
Memberships	2,592	-	2,592	2,263
Bad debt	<u>2,000</u>	<u>-</u>	<u>2,000</u>	<u>3,135</u>
	1,556,224	78,409	1,634,633	1,603,222
<b>Excess (Deficit) of Revenue over Expenditures before Other Items</b>	<b>\$ (24,537)</b>	<b>\$ 7,701</b>	<b>\$ (16,836)</b>	<b>\$ (36,071)</b>

*The attached Independent Auditor's Report and notes  
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**MEALS ON WHEELS LONDON**  
**STATEMENT OF OPERATIONS (CONTINUED)**  
**FOR THE YEAR ENDED MARCH 31, 2017**

	General Fund	Fund 3 (note 9)	2017	2016 (note 13)
<b>Excess (Deficit) of Revenue over Expenditures before Other Items</b>	\$ (24,537)	\$ 7,701	\$ (16,836)	\$ (36,071)
<b>Other Items</b>				
Amortization of deferred capital contributions	32,608	-	32,608	29,365
Amortization of tangible capital assets	(32,734)	-	(32,734)	(29,545)
Gain on disposal of tangible capital assets	-	-	-	2,500
Unrealized gain (loss) on short-term investments	<u>-</u>	<u>15,928</u>	<u>15,928</u>	<u>(9,674)</u>
	<u>(126)</u>	<u>15,928</u>	<u>15,802</u>	<u>(7,354)</u>
<b>Excess (Deficit) of Revenue over Expenditures</b>	<u>\$ (24,663)</u>	<u>\$ 23,629</u>	<u>\$ (1,034)</u>	<u>\$ (43,425)</u>

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**MEALS ON WHEELS LONDON**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED MARCH 31, 2017**

	2017	2016 (note 13)
<b>Cash Flows from Operating Activities</b>		
Excess (deficit) of revenue over expenditures	\$ (1,034)	\$ (43,425)
Items not requiring an outlay of cash:		
Amortization	32,734	29,545
Amortization of deferred contributions	(32,608)	(29,366)
Gain on disposal of tangible capital assets	-	(2,500)
Unrealized (gain) loss on short-term investments	<u>(15,928)</u>	<u>9,674</u>
	(16,836)	(36,072)
Changes in non-cash working capital:		
Accounts receivable	(15,041)	(532)
Due from PSW training project	(18,329)	75,970
HST recoverable	3,598	(5)
Inventory	5,404	(3,759)
Prepaid expenses	1,080	(4,487)
Accounts payable and accrued liabilities	(61,314)	23,960
Government remittances payable	4,204	(1,306)
Deferred revenue	<u>76,898</u>	<u>10,000</u>
	<u>(3,500)</u>	<u>99,841</u>
<b>Net Cash Provided by (Used in) Operating Activities</b>	(20,336)	63,769
<b>Cash Flows from Financing Activities</b>		
Deferred capital contributions received	39,004	30,973
<b>Cash Flows from Investing Activities</b>		
Additions to tangible capital assets	(40,511)	(30,973)
Proceeds on disposal of tangible capital assets	<u>-</u>	<u>2,500</u>
<b>Net Cash Used in Investing Activities</b>	<u>(40,511)</u>	<u>(28,473)</u>
<b>Net Increase (Decrease) in Cash</b>	(21,843)	66,269
<b>Cash, Beginning of Year</b>	<u>659,624</u>	<u>593,355</u>
<b>Cash, End of Year</b>	\$ <u>637,781</u>	\$ <u>659,624</u>
<b>Represented By:</b>		
Cash - general fund	\$ 71,269	\$ 104,210
Cash - fund 3	<u>566,512</u>	<u>555,414</u>
	\$ <u>637,781</u>	\$ <u>659,624</u>

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**MEALS ON WHEELS LONDON**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2017**

**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.

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**MEALS ON WHEELS LONDON**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2017**

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

**(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.

**(c) Short-term Investments**

The organization's short-term 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.

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**MEALS ON WHEELS LONDON**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2017**

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

**(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.

**(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 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. Short-term investments**

The investments consist of the following:

	<b>2017</b> <b>FMV</b>	<b>2016</b> <b>FMV</b>
BMO Nesbitt Burns - Equity Mutual Funds	\$ <u>140,119</u>	\$ <u>124,191</u>

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# MEALS ON WHEELS LONDON

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED MARCH 31, 2017

#### 4. Tangible Capital Assets

		Cost	Accumulated Amortization	Net 2017	Net 2016
Computer hardware	3 yr S.L.	\$ 91,597	\$ 76,251	\$ 15,346	\$ 10,131
Furniture and equipment	5 yr S.L.	118,758	85,543	33,215	42,475
Leaseholds	3 yr S.L.	47,676	26,241	21,435	-
Vehicle	3 yr S.L.	<u>28,839</u>	<u>19,226</u>	<u>9,613</u>	<u>19,226</u>
		<u>\$ 286,870</u>	<u>\$ 207,261</u>	<u>\$ 79,609</u>	<u>\$ 71,832</u>

During the year amortization of \$32,734 (2016 - \$29,545) was recorded.

#### 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.

	2017	2016
Funds received from MOHLTC	<u>\$1,089,500</u>	<u>\$1,064,167</u>
Disbursements, in accordance with agreement	553,274	988,197
Administration expenditures	<u>78,409</u>	<u>75,970</u>
	<u>631,683</u>	<u>1,064,167</u>
Excess of funds received over funds disbursed for specified purposed during the year	457,817	-
Project funds held in trust, beginning of the year	-	907,139
Less: project funds repaid in the year	<u>-</u>	<u>(907,139)</u>
Project fund held in trust, end of the year	<u>\$ 457,817</u>	<u>\$ -</u>

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**MEALS ON WHEELS LONDON**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2017**

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

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

	<b>2017</b>	<b>2016</b>
Libro Financial Group - cash	<u>\$1,003,230</u>	<u>\$ 991,197</u>
Accounts payable by the project paid in the year	524,084	988,197
Project funds held in trust, end of the year	<u>457,817</u>	<u>-</u>
Net project capitalization	<u>981,901</u>	<u>988,197</u>
Due to Meals on Wheels London	<u>\$ 21,329</u>	<u>\$ 3,000</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.

**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>2017</b>	<b>2016</b>
Ministry of Employment and Social Development	\$ 25,000	\$ -
Ontario Trillium Foundation	59,012	-
Westminster College	<u>2,886</u>	<u>10,000</u>
	<u>\$ 86,898</u>	<u>\$ 10,000</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>2017</b>	<b>2016</b>
Balance, beginning of year	\$ 71,832	\$ 70,224
Add: increase in contributions received for capital purposes	39,003	30,973
Less: amortization of deferred capital contributions	<u>(32,608)</u>	<u>(29,365)</u>
Balance, end of year	<u>\$ 78,227</u>	<u>\$ 71,832</u>

Amortization of deferred capital contributions for the year totaled \$32,608 (\$29,365 in 2016).

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**MEALS ON WHEELS LONDON**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2017**

**8. Commitments**

The organization has long term leases with respect to its main building and depots. Future minimum lease payments as at March 31, 2017 as at follows:

Year ending March 31, 2018	\$ 36,960
March 31, 2019	37,560
March 31, 2020	<u>38,160</u>
	<u>\$ 112,680</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.

**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.

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**MEALS ON WHEELS LONDON**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2017**

**10. Financial Instruments (continued)**

**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. In management's opinion, the organization is not exposed to significant other price risk.

**11. Transfer Between Funds**

During the year, the Board of Directors approved a transfer of \$24,663 (2016 - \$88,890) 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 2017 was \$10,513 (2016 - \$10,804) for current service and is included as an expenditure in the statement of operations.

At March 31, 2017, there is no liability for past service under the agreement.

**13. Comparative Figures**

The comparative figures presented as at March 31, 2016 and for the year then ended were reported on by another firm of licensed public accountants.

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