

THE DUKE OF EDINBURGH'S AWARD IN BERMUDA

Financial Statements
(With Independent Auditor's Report Thereon)

March 31, 2017



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INDEPENDENT AUDITOR'S REPORT

To the Award Council of the Duke of Edinburgh's Award in Bermuda

Qualified Opinion

We have audited the financial statements of the Duke of Edinburgh's Award in Bermuda (the "Award"), which comprise the statement of financial position as at March 31, 2017, the statements of income, expenses and accumulated surplus and cash flows for the year then ended, and notes, comprising 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 the Award as at March 31, 2017, and its results of operations and its cash flows for the year then ended in accordance with accounting standards for not-for-private organizations generally accepted in Bermuda and Canada ("ASNFP").

Basis for Qualified Opinion

In common with many charitable organizations, the Award derives the following revenues from the general public in the form of donations, general fundraising income - \$159,223, golf tournament fundraising proceeds - \$32,555 and Royal Gala income - \$111,525 the completeness of which is not susceptible to satisfactory audit verification. We were unable to obtain sufficient appropriate audit evidence over the completeness of these revenues items. Accordingly, our verification of these revenues, was limited to the amounts recorded in the records of the Award and we were not able to determine whether any adjustments might be necessary to revenues and deficit of revenues over expenses included in the statements of income, expenses and accumulated surplus and cash flows for the year ended March 31, 2017, and assets and net assets included in the statement of financial position as at March 31, 2017.

We conducted our audit in accordance with International Standards on Auditing ("ISA"). 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 Award in accordance with the ethical requirements that are relevant to our audit of the financial statements in Bermuda and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with ASNFP 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 Award'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 Award or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Award'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 ISA 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 ISA, 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 Award'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 Award'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 Award 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.

KPMG Audit Limited

Chartered Professional Accountants
Hamilton, Bermuda
October 16, 2017

THE DUKE OF EDINBURGH'S AWARD IN BERMUDA

Statement of Financial Position

As at March 31, 2017

(Expressed in Bermuda dollars)

	<u>2017</u>	<u>2016</u>
Assets		
Current assets		
Cash	\$ 18,080	\$ 76,474
Accounts receivable	14,000	—
Prepaid expenses	<u>—</u>	<u>375</u>
Total current assets	<u>\$ 32,080</u>	<u>\$ 76,849</u>
Liabilities and net assets		
Current liabilities		
Accounts payable (Note 9)	\$ 10,109	\$ 12,147
Funds deferred for specific expenditure (Note 4)	<u>4,512</u>	<u>16,896</u>
Total current liabilities	14,621	29,043
Net assets		
Accumulated surplus	<u>17,459</u>	<u>47,806</u>
Total liabilities and net assets	<u>\$ 32,080</u>	<u>\$ 76,849</u>

The accompanying notes are an integral part of these financial statements

Signed on behalf of the Award Council

_____ Chairman

_____ Treasurer

THE DUKE OF EDINBURGH'S AWARD IN BERMUDA

Statement of Income, Expenses and Accumulated Surplus

Year Ended March 31, 2017
(Expressed in Bermuda dollars)

	<u>2017</u>	<u>2016</u>
Income		
General fundraising income (Note 4)	\$ 159,223	\$ 208,324
Royal Gala income	111,525	-
Golf tournament fundraising proceeds	32,555	42,830
Donations in kind (Note 5)	32,400	33,500
Other income (Note 6)	<u>6,886</u>	<u>9</u>
 Total income	 <u>342,589</u>	 <u>284,663</u>
 Expenses		
Salaries and related costs	145,812	129,488
Royal Gala expenses	113,279	-
Bridge Award expenses (Note 4)	11,671	38,248
Office expenses (Note 5)	30,964	36,680
Golf tournament expenses	20,910	21,907
Expedition costs	20,455	28,368
Accounting and audit fees (Note 5)	17,408	15,125
Advertising	6,543	15,191
Miscellaneous	3,373	2,434
Fundraising costs	1,212	-
Bank charges	934	632
Conference costs	<u>375</u>	<u>2,920</u>
 Total expenses	 <u>372,936</u>	 <u>290,993</u>
 Deficit of revenues over expenses for the year	 (30,347)	 (6,330)
 Accumulated surplus - beginning of year	 <u>47,806</u>	 <u>54,136</u>
 Accumulated surplus - end of year	 <u>\$ 17,459</u>	 <u>\$ 47,806</u>

The accompanying notes are an integral part of these financial statements

THE DUKE OF EDINBURGH'S AWARD IN BERMUDA

Statement of Cash Flows

Year Ended March 31, 2017

(Expressed in Bermuda dollars)

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities		
Deficit of revenues over expenses for the year	\$ (30,347)	\$ (6,330)
Changes in non-cash working capital:		
Prepaid expenses	375	(375)
Accounts receivable	(14,000)	—
Accounts payable	(2,038)	5,735
Funds deferred for specific expenditure	<u>(12,384)</u>	<u>(64,391)</u>
Net cash used in operating activities	<u>(58,394)</u>	<u>(65,361)</u>
Decrease in cash during the year	(58,394)	(65,361)
Cash – beginning of year	<u>76,474</u>	<u>141,835</u>
Cash – end of year	<u>\$ 18,080</u>	<u>\$ 76,474</u>

The accompanying notes are an integral part of these financial statements

THE DUKE OF EDINBURGH'S AWARD IN BERMUDA

Notes to Financial Statements

March 31, 2017

1. **General**

The Duke of Edinburgh's Award in Bermuda (the "Award") is a full member of the Duke of Edinburgh's International Award Association, which promotes throughout the world the concept of individual challenge to young people between the ages of 14 and 25, by presenting a balanced, non-competitive programme of voluntary activities which encourage personal discovery and growth, self-reliance, perseverance, responsibility to themselves and service to the community. The Award is operated by The Award Council (the "Council") which is made up of representatives from the individual programmes in Bermuda and other persons who are independent of the Award.

On August 20, 2013 the Award was established as a body corporate under The Duke of Edinburgh's Award in Bermuda Act 2013.

2. **Basis of preparation**

The Award follows the Chartered Professional Accountants of Canada ("CPA Canada") Handbook – Accounting Part III: Accounting Standards for Not-for-Profit Organizations ("ASNFPPO").

3. **Significant accounting policies**

These financial statements have been prepared in accordance with ASNFPPO and include the following significant accounting policies:

(a) *Use of estimates*

The preparation of financial statements in accordance with ASNFPPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported income and expenses during the period. Actual results could differ from those estimates.

(b) *Expenses*

Expenses are recorded using the accruals basis of accounting.

(c) *Donations and contributions receivable*

Donations are accounted for using the deferral method of accounting. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Deferred contributions represent unspent funds externally restricted as to use.

(d) *Translation of foreign currencies*

Foreign currency monetary assets and liabilities are translated at the rates of exchange prevailing at the reporting date. Foreign currency income and expenses are translated at the transaction date rates of exchange. All foreign exchange differences arising on translation are included in the statement of income, expenses and accumulated surplus.

(e) *Donated services*

Facilities and professional services donated by local businesses are recorded as donations in the financial statements at fair value.

THE DUKE OF EDINBURGH'S AWARD IN BERMUDA

Notes to Financial Statements

March 31, 2017

3. Significant accounting policies (continued)

(f) Financial instruments

Financial instruments consist of cash, accounts receivable and accounts payable, and are measured at amortized cost using the effective interest method.

Financial assets are tested for impairment when there are indicators of impairment. The amount of any impairment write-down is recognized in the statement of income, expenses and accumulated surplus. Any previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in the statement of income, expenses and accumulated surplus.

4. Funds deferred for specific expenditure

In previous years the Award received donations for the purpose of running the Award scheme in the Bermuda prison system (the New Start Project) which started in 2009 and towards other specific projects or expenditures. During the year, the Award received funds of \$nil (2016 - \$20,000) externally restricted specifically for the BRIDGE Award and part-time programme coordinator's salary. As the funds are restricted they are deferred and recognized in income as expenses are incurred. During the year expenses of \$11,671 were incurred (2016 - \$38,248) and accordingly restricted donation income of \$11,671 (2016 - \$38,248) has been recognized.

5. Donations in kind

In common with many charitable organizations in Bermuda, a variety of administrative and accounting duties have been provided on a donated basis. KPMG provides audit support.

Conyers, Dill & Pearman has donated the use of office space and related equipment and supplies from April 1, 2014.

The fair value of these donated services and office facilities recognized in these financial statements is as follows:

	<u>2017</u>	<u>2016</u>
Audit	\$ 11,400	\$ 12,500
Office space	<u>21,000</u>	<u>21,000</u>
	<u>\$ 32,400</u>	<u>\$ 33,500</u>

6. Other income

Other income comprises interest income and a one-time write off. Interest income includes income arising from interest earned on cash balances and is recognized on receipt. During the current year, an amount of \$6,883 that was previously recognized as an accrued liability was forgiven and written off.

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Notes to Financial Statements

March 31, 2017

7. Financial instruments

Fair values

The estimated fair values of the Award's financial assets and liabilities approximate their carrying values due to their short term nature.

The estimates of fair values presented herein are subjective in nature and not necessarily indicative of the amounts that the Award would actually realize in a current market exchange. Certain items such as prepaid expenses are excluded from fair value disclosure. Thus the carrying amounts of all items in the statement of financial position cannot be aggregated to determine the underlying fair value of the Award.

Liquidity risk

Liquidity risk is the risk that the Award will encounter difficulties in meeting its financial liability obligations. The Award manages liquidity risk by holding sufficient cash to enable it to meet its liabilities as they fall due, and by continually monitoring actual and projected cash flows. There is no significant liquidity risk.

Price risk

Price risk is the risk that the future changes in market prices may render financial instruments less valuable or increase the liability associated with such instruments. The Award is not exposed to significant price risk.

Credit risk

Credit risk is the risk that a donor or counterparty to a financial instrument fails to meet its contractual obligations to the Award, and arises principally from cash and accounts receivable. The maximum exposure to credit risk is represented by the carrying amount of these financial assets on the Award's statement of financial position. The Award limits its exposure to credit risk by investing all of its cash with a single Bermuda-based financial institution. Management believes that the Award is not exposed to any significant concentration of credit risk. The Award continually monitors its accounts receivable balance and believes that no allowance for impairment is required at the report date.

Interest rate risk

Interest rate risk arises from changes in prevailing levels of market interest rates. The Award earns interest at variable rates on its cash balances. It is management's opinion that the Award is not exposed to significant interest rate risk.

Foreign currency risk

Foreign currency risk is the risk that arises from the change in price of one currency against another. The Award is not exposed to significant foreign currency risk as the majority of its transactions are denominated in Bermuda Dollars.

8. Capital management

The Award defines capital, for its own purposes, as unrestricted accumulated surplus. During the current year, the Award's objective when managing capital, which was unchanged from the prior year, was to hold sufficient excess capital to enable it to withstand negative unexpected financial events and continue as a going concern. The Award seeks to achieve this objective by minimizing its exposure to financial leverage and by holding cash to maintain sufficient liquidity to enable it to meet its obligations as they become due. As at March 31, 2017, the Award's had an unrestricted surplus capital which amounted to \$17,459 (2016 - \$47,806). The Award is not subject to any externally imposed requirements on capital.

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March 31, 2017

9. **Government remittances payable**

Included in accounts payable as at March 31, 2017 are government remittances payable of \$2,162 (2016 - \$3,415).

10. **Contribution from the Foundation**

During the year, the Board of Trustees of the Duke of Edinburgh's Award Bermuda Foundation approved a contribution of \$nil (2016 - \$4,780) to the Duke of Edinburgh's Award in Bermuda. This related party transaction is included within general fundraising income in the statement of income, expenses and accumulated surplus.