

**THE DUKE OF EDINBURGH'S AWARD IN BERMUDA**

Financial Statements  
(With Independent Auditor's Report Thereon)

March 31, 2016



**KPMG Audit Limited**  
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## **INDEPENDENT AUDITOR'S REPORT**

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

We have audited the accompanying financial statements of The Duke of Edinburgh's Award in Bermuda ("the Award"), which comprise the statement of financial position as at March 31, 2016, the statements of income and accumulated surplus and cash flows for the year then ended, and notes, comprising 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 accounting standards for not-for-profit organizations generally accepted in Bermuda and Canada 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.

### **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 auditing standards generally accepted in Bermuda and Canada. Those standards require that we comply with ethical requirements and plan and perform an 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 disclosures in the financial statements. The procedures selected depend on our 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, we consider internal control relevant to the Award'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 Award'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 qualified audit opinion.

### **Basis for Qualified Opinion**

In common with many charitable organizations, the Award derives income from donations and fundraising, 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 Award and we were not able to determine whether any adjustments might be necessary to income and deficit included in the statements of income and accumulated surplus and cash flows for the year then ended March 31, 2016, and assets, current liabilities and accumulated surplus included in the statement of financial position as at March 31, 2016.



### **Qualified Opinion**

In our opinion, except for 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, 2016, and its results of operations and its cash flows for the year then ended in accordance with accounting standards for not-for-profit organizations generally accepted in Bermuda and Canada.

*KPMG Audit Limited*

Chartered Professional Accountants  
Hamilton, Bermuda  
September 19, 2016

**THE DUKE OF EDINBURGH'S AWARD IN BERMUDA**

Statement of Financial Position

As at March 31, 2016

*(Expressed in Bermuda dollars)*

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	<u>2016</u>	<u>2015</u>
<b>Assets</b>		
<b>Current assets</b>		
Cash	\$ 76,474	\$ 141,835
Prepaid expenses	<u>375</u>	<u>—</u>
Current assets	<u>76,849</u>	<u>141,835</u>
Total assets	<u>\$ 76,849</u>	<u>\$ 141,835</u>
<b>Liabilities, deferred contributions and net assets</b>		
<b>Current liabilities</b>		
Accounts payable (Note 8)	\$ 12,147	\$ 6,412
Funds deferred for specific expenditure (Note 4)	<u>16,896</u>	<u>81,287</u>
	29,041	87,699
<b>Net assets</b>		
Accumulated surplus	<u>47,806</u>	<u>54,136</u>
	<u>\$ 76,849</u>	<u>\$ 141,835</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 and Accumulated Surplus

Year Ended March 31, 2016

*(Expressed in Bermuda dollars)*

	<u>2016</u>	<u>2015</u>
<b>Income</b>		
General fundraising income	\$ 208,324	\$ 91,866
Golf tournament fundraising proceeds	42,830	31,681
Donations in kind (Note 5)	33,500	33,000
Deposit interest	<u>9</u>	<u>15</u>
Total income	<u>284,663</u>	<u>156,562</u>
<b>Expenses</b>		
National Director's salary and related costs	129,488	131,119
Bridge Award expense	38,248	-
Office expenses (Note 5)	36,680	38,204
Expedition costs	28,368	20,901
Golf tournament expenses	21,907	19,228
Advertising	15,191	12,717
Accounting and audit fees (Note 5)	15,125	12,900
Conference costs	2,920	5,938
Miscellaneous	2,434	2,904
Bank charges	632	632
Amortization	<u>-</u>	<u>2,025</u>
Total expenses	<u>290,993</u>	<u>246,568</u>
Deficit for the year	(6,330)	(90,006)
Accumulated surplus - beginning of year	<u>54,136</u>	<u>144,142</u>
Accumulated surplus - end of year	<u>\$ 47,806</u>	<u>\$ 54,136</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, 2016

*(Expressed in Bermuda dollars)*

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	<u>2016</u>	<u>2015</u>
<b>Cash flows from operating activities</b>		
Deficit for the year	\$ (6,330)	\$ (90,006)
Adjustments for:		
Amortization	–	2,025
Changes in non-cash working capital:		
Prepaid expenses	(375)	2,853
Accounts payable	5,735	3,907
Funds deferred for specific expenditure	<u>(64,391)</u>	<u>40,000</u>
Net cash used in operating activities	<u>(65,361)</u>	<u>(41,221)</u>
Decrease in cash and cash equivalents during the year	(65,361)	(41,221)
Cash – beginning of year	<u>141,835</u>	<u>183,056</u>
Cash – end of year	<u>\$ 76,474</u>	<u>\$ 141,835</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, 2016

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### 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 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, 2016

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### 3. **Significant accounting policies** (continued)

#### (f) *Financial instruments*

Financial instruments consist of cash 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 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 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 \$20,000 (2015 - \$40,000) 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 \$38,248 were incurred (2015 - \$nil) and accordingly restricted donation income of \$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 are providing 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>2016</u>	<u>2015</u>
Audit	\$ 12,500	\$ 12,500
Office space	21,000	20,083
Office equipment and supplies	<u>—</u>	<u>417</u>
	<u>\$ 33,500</u>	<u>\$ 33,000</u>

### 6. **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.

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## THE DUKE OF EDINBURGH'S AWARD IN BERMUDA

Notes to Financial Statements

March 31, 2016

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### 6. **Financial instruments (continued)**

#### *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. 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.

#### *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.

### 7. **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, 2016, the Award's unrestricted capital amounted to \$47,806 (2015 - \$54,136). The Award is not subject to any externally imposed requirements on capital.

### 8. **Government remittances payable**

Included in accounts payable as at March 31, 2016 are government remittances payable of \$3,415 (2015 - \$1,508).

### 9. **Contribution from the Foundation**

During the year, the Board of Trustees of the Duke of Edinburgh's Award Bermuda Foundation approved a contribution of \$4,780 (2015: \$nil) to the Duke of Edinburgh's Award in Bermuda. This related party transaction is included within general fundraising income in the statement of income and accumulated surplus.

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