

MEALS ON WHEELS LONDON

Financial Statements

Year Ended March 31, 2016

MEALS ON WHEELS LONDON
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March 31, 2016

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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 the statement of financial position as at March 31, 2016 and the statements of operations and changes in fund balances and 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 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 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 disclosures 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 control 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 qualified audit opinion.

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Basis for Qualified Opinion

In common with many charitable organizations, the organization derives revenue from fundraising initiatives 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 organization and we were not able to determine whether any adjustments might be necessary to revenue, excess (deficiency) of revenue over expenditures, current assets and fund balances. This issue also resulted in a qualified opinion on the financial statements for the year ended March 31, 2015.

Qualified Opinion

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 the revenue 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, 2016 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Other Matter

The financial statements for the year ended March 31, 2015 were audited by the firm of NPT LLP, whose practice now operates under BDO Canada LLP.

London, Ontario
June 14, 2016

BDO Canada LLP

Chartered Professional Accountants
Licensed Public Accountants

MEALS ON WHEELS LONDON
Statement of Financial Position
March 31, 2016

	2016	2015
ASSETS		
CURRENT		
Cash	\$ 104,210	\$ 38,385
Cash - Board Restricted Fund	555,414	554,970
Marketable securities (Note 4)	124,191	133,866
Accounts receivable	74,191	73,659
Due from PSW Training Project (Note 6)	3,000	78,970
HST rebate recoverable	17,463	17,458
Inventory	7,204	3,445
Prepaid expenses	9,949	5,462
	895,622	906,215
Capital assets (Note 5)	71,832	70,404
	\$ 967,454	\$ 976,619
LIABILITIES AND FUND BALANCES		
CURRENT		
Accounts payable and accrued liabilities	\$ 160,110	\$ 136,152
Government remittances payable	10,746	12,052
Deferred contributions	10,000	-
	180,856	148,204
Deferred capital contributions (Note 7)	71,832	70,224
	252,688	218,428
FUND BALANCES		
General Fund (Note 8)	-	180
Board Restricted Fund	714,766	758,011
	714,766	758,191
	\$ 967,454	\$ 976,619

PSW TRAINING PROJECT (Note 6)

LEASE COMMITMENTS (Note 13)

ON BEHALF OF THE BOARD

_____ Director

_____ Director

See accompanying notes to the financial statements.

MEALS ON WHEELS LONDON

Statement of Operations and Changes in Fund Balances

Year Ended March 31, 2016

	General Fund		Board Restricted Fund		Total	
	2016	2015	2016	2015	2016	2015
REVENUE						
Grants - SW LHIN / MOHLTC	\$ 429,041	\$ 422,869	\$ -	\$ -	\$ 429,041	\$ 422,869
Grants - SW LHIN / MOHLTC - One-time funding (Note 9)	40,525	1,333	-	-	40,525	1,333
Grants from United Way	91,000	91,000	-	-	91,000	91,000
Meal service - standard	372,680	361,723	-	-	372,680	361,723
Meal service - frozen	343,615	363,452	-	-	343,615	363,452
Fundraising initiatives	137,419	116,975	-	-	137,419	116,975
Transportation service	74,630	69,330	-	-	74,630	69,330
PSW management fee	-	-	38,502	41,571	38,502	41,571
Gas reimbursement donations	22,662	23,792	-	-	22,662	23,792
Interest	260	516	16,817	12,147	17,077	12,663
	1,511,832	1,450,990	55,319	53,718	1,567,151	1,504,708
EXPENDITURES						
Meals (direct costs)						
Frozen	282,300	299,128	-	-	282,300	299,128
Standard	274,192	267,002	-	-	274,192	267,002
Transportation to depot	44,987	42,307	-	-	44,987	42,307
Depot costs	12,415	6,100	-	-	12,415	6,100
Transportation frozen meals	9,663	10,609	-	-	9,663	10,609
Packaging	4,982	6,037	-	-	4,982	6,037
Salaries and benefits (Note 12)	571,593	508,269	-	-	571,593	508,269
Volunteer gas reimbursement	74,064	73,919	-	-	74,064	73,919
Technology	60,807	15,300	-	-	60,807	15,300
Meal subsidy program	56,519	51,303	-	-	56,519	51,303
Occupancy costs	48,278	54,021	-	-	48,278	54,021
Office	41,208	45,090	-	-	41,208	45,090
Meal subsidy program - United Way funded	36,500	36,500	-	-	36,500	36,500
Professional fees	23,935	5,925	-	-	23,935	5,925
Van operations	15,270	11,990	-	-	15,270	11,990
Volunteer recruitment, training and recognition	13,836	14,434	-	-	13,836	14,434
Fundraising	9,299	11,165	-	-	9,299	11,165
Staff training	6,148	4,295	-	-	6,148	4,295
Insurance	5,121	4,303	-	-	5,121	4,303
Bad debts	3,135	5,420	-	-	3,135	5,420
Staff travel	2,658	2,396	-	-	2,658	2,396
Memberships	2,263	2,022	-	-	2,263	2,022
Marketing	2,126	8,084	-	-	2,126	8,084
Crisis fund	1,923	2,300	-	-	1,923	2,300
	1,603,222	1,487,919	-	-	1,603,222	1,487,919
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES BEFORE OTHER ITEMS	(91,390)	(36,929)	55,319	53,718	(36,071)	16,789
OTHER ITEMS						
Amortization of deferred capital contributions (Note 7)	29,365	19,823	-	-	29,365	19,823
Amortization of capital assets	(29,545)	(19,823)	-	-	(29,545)	(19,823)
Gain on disposal of capital assets	2,500	-	-	-	2,500	-
Unrealized gain (loss) on marketable securities	-	-	(9,674)	(26,771)	(9,674)	(26,771)
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	(89,070)	(36,929)	45,645	26,947	(43,425)	(9,982)
FUND BALANCES, BEGINNING OF YEAR	180	180	758,011	767,993	758,191	768,173
TRANSFERS BETWEEN FUNDS (Note 11)	88,890	36,929	(88,890)	(36,929)	-	-
FUND BALANCES, END OF YEAR	-	180	\$ 714,766	\$ 758,011	\$ 714,766	\$ 758,191

See accompanying notes to the financial statements.

MEALS ON WHEELS LONDON

Statement of Cash Flows

Year Ended March 31, 2016

	2016	2015
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenditures for the year	\$ (43,425)	\$ (9,982)
Items not affecting cash:		
Amortization of capital assets	29,545	19,823
Amortization of deferred capital contributions	(29,366)	(19,823)
Gain on disposal of capital assets	(2,500)	-
Unrealized (gain) loss on marketable securities	9,674	26,771
	(36,072)	16,789
Changes in non-cash working capital:		
Accounts receivable	(532)	(9,127)
Due from PSW Training Project	75,970	(16,927)
HST rebate recoverable	(5)	(1,755)
Inventory	(3,759)	6,037
Prepaid expenses	(4,487)	589
Accounts payable and accrued liabilities	23,960	11,311
Government remittances payable	(1,306)	2,360
Deferred contributions	10,000	-
	99,841	(7,512)
Cash flow from operating activities	63,769	9,277
INVESTING ACTIVITIES		
Purchase of capital assets	(30,973)	(48,005)
Proceeds on disposal of capital assets	2,500	-
Cash flow used by investing activities	(28,473)	(48,005)
FINANCING ACTIVITY		
Deferred capital contributions received	30,973	48,005
INCREASE IN CASH FLOW	66,269	9,277
Cash - beginning of year	593,355	584,078
CASH - END OF YEAR	\$ 659,624	\$ 593,355
CASH CONSISTS OF:		
Cash	\$ 104,210	\$ 38,385
Cash - Board Restricted Fund	555,414	554,970
	\$ 659,624	\$ 593,355

See accompanying notes to the financial statements.

MEALS ON WHEELS LONDON

Notes to Financial Statements

Year Ended March 31, 2016

1. NATURE OF ORGANIZATION

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)(l) of the Income Tax Act, Canada.

2. BASIS OF PRESENTATION

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO). ASNPO are part of Canadian generally accepted accounting principles (GAAP).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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:

(a) 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.

(b) Board Restricted Fund

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

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MEALS ON WHEELS LONDON

Notes to Financial Statements

Year Ended March 31, 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

The organization follows the restricted fund method of accounting for contributions. Unrestricted contributions and restricted contributions related to the Board Restricted Fund are recorded as revenue only as received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Other restricted contributions are recognized as revenue of the General Fund when the related expenses are incurred.

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.

Financial instruments policy

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in operations. All other financial instruments are reported at amortized cost and tested for impairment at each reporting date. Transaction costs on the acquisition, sale or issue of financial instruments are expensed when incurred.

Cash and Cash - Board Restricted Fund

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

Inventory

Inventory consists of supplies and is valued at the lower of cost (using the average cost method) and net realizable value, where net realizable value is determined to be replacement cost.

Capital assets

Capital assets are recorded at historical cost. Amortization is provided on a straight-line basis over the estimated useful life of the asset, as follows:

Furniture and fixtures	5 years
Computer equipment	3 years
Vehicle	3 years
Leasehold improvements	3 years

No amortization is charged in the month of acquisition.

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 Financial Statements

Year Ended March 31, 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Measurement uncertainty

The preparation of financial statements in conformity with Canadian ASNPO requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in operations in the period in which they become known. Actual results could differ from these estimates.

Contributed services

Volunteers contribute approximately 21,500 hours per year to enable Meals on Wheels London to provide services to people with the desire to live full and independent lives in their own homes. Contributed services are not recognized in these financial statements because of the difficulty of determining their fair value.

4. MARKETABLE SECURITIES

Marketable securities consist of the following:

	2016	2015
BMO Nesbitt Burns - Equity Mutual Funds	\$ 124,191	\$ 133,866

5. CAPITAL ASSETS

	Cost	Accumulated amortization	2016 Net book value	2015 Net book value
Furniture and fixtures	\$ 113,137	\$ 70,662	\$ 42,475	\$ 26,101
Computer equipment	80,090	69,959	10,131	15,464
Vehicle	28,839	9,613	19,226	28,839
Leasehold improvements	24,293	24,293	-	-
	\$ 246,359	\$ 174,527	\$ 71,832	\$ 70,404

MEALS ON WHEELS LONDON

Notes to Financial Statements

Year Ended March 31, 2016

6. 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 relates to the administration and delivery of Personal Support Worker (PSW) Training Programs in the Southwestern Ontario region.

[a] The following summarizes funds received and disbursed in accordance with this agreement.

	2016	2015
Funds received from MOHLTC	\$ 1,064,167	\$ 1,579,400
Disbursements, in accordance with agreement	988,197	593,291
Administration expenditures	75,970	78,970
	1,064,167	672,261
Excess of funds received over funds disbursed for specified purposes during the year	-	907,139
Project funds held in trust, beginning of year	907,139	285,818
Less project funds repaid in the year	(907,139)	(285,818)
Project fund held in trust, end of year	\$ -	\$ 907,139

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MEALS ON WHEELS LONDON

Notes to Financial Statements

Year Ended March 31, 2016

6. PSW TRAINING PROJECT *(continued)*

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

	2016	2015
Libro Financial Group – Cash	\$ 991,197	\$ 1,274,262
Accounts payable by the project	988,197	288,153
Project funds held in trust, end of the year	-	907,139
Net project capitalization	988,197	1,195,292
Due to Meals on Wheels London	\$ 3,000	\$ 78,970

Except for the net balance Due to Meals on Wheels London, the above amounts have not been recorded in the accompanying statements of financial position or statements of operations and changes in fund balances as they are not related to activities of the organization.

7. DEFERRED CAPITAL CONTRIBUTIONS

	2016	2015
Balance, beginning of year	\$ 70,224	\$ 42,042
Add contributions received for capital asset purchases	30,973	48,005
Less amortization of deferred capital contributions	(29,365)	(19,823)
Balance, end of year	\$ 71,832	\$ 70,224

8. GENERAL FUND

The General Fund is allocated as follows:

	2016	2015
Invested in capital assets	\$ -	\$ 180
Unrestricted	-	-
Fund balance, end of year	\$ -	\$ 180

The General Fund invested in capital assets consists of the following:

	2016	2015
Capital assets	\$ 71,832	\$ 70,404
Deferred capital contributions	(71,832)	(70,224)
	\$ -	\$ 180

MEALS ON WHEELS LONDON

Notes to Financial Statements

Year Ended March 31, 2016

9. SW LHIN / MOHLTC ONE-TIME FUNDING

One-time funding received appears in the financial statements as follows:

	2016	2015
Total one-time funding received	\$ 71,498	\$ 51,671
Less: Deferred capital contributions (Note 7)	(30,973)	(48,005)
Less: Unspent amounts repayable to MOH	-	(2,333)
	\$ 40,525	\$ 1,333

10. FINANCIAL INSTRUMENTS

The organization is exposed to various risks through its financial instruments. The following analysis provides information about the organization's risk exposure and concentration. There have been no significant changes in the nature or concentration of the risk exposures from the prior year, unless otherwise noted.

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 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 the 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 Financial Statements

Year Ended March 31, 2016

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 financing 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 financial instrument or its issuer, or factors affecting all 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 prior year, the Board of Directors approved a transfer of \$88,890 (2015 - \$36,929) from the Board Restricted Fund 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 in which contributions are determined as a percentage of earnings. The amount contributed to the plan for 2016 was \$10,804 (2015 - \$10,016) for current service and is included as an expenditure in the statement of operations.

At March 31, 2016, there is no liability for past service under the agreement.

13. LEASE COMMITMENTS

The organization has long term leases with respect to its main building and depots. Future minimum lease payments as at March 31, 2016, are as follows:

2017	\$	36,777
2018		36,960
2019		37,560
2020		38,160
		<hr/>
	\$	149,457