

The Bermuda Hospitals Charitable Trust

Financial Statements
March 31, 2018



December 4, 2018

Independent Auditor's Report

To the Trustees of The Bermuda Hospitals Charitable Trust

We have audited the accompanying financial statements of The Bermuda Hospitals Charitable Trust, which comprise the balance sheet as at March 31, 2018 and the statements of operations and changes in net assets and cash flows for the year then ended, and the related notes, which comprise 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 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 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.

Basis for qualified opinion

In common with many not-for-profit organizations, The Bermuda Hospitals Charitable Trust derives revenues from donations and contributions and other transactions with the public, 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 Bermuda Hospitals Charitable Trust. Therefore, we were not able to determine whether any adjustments might be necessary to donations and contributions, excess of revenues over expenditures and cash flows from operations for the years ended



March 31, 2018 and 2017, current assets as at March 31, 2018 and 2017 and net assets as at the beginning and the end of the years ended March 31, 2018 and 2017. Our audit opinion on the financial statements for the year ended March 31, 2017 was modified accordingly because of the possible effects of this limitation in scope.

Qualified opinion

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 Bermuda Hospitals Charitable Trust as at March 31, 2018 and the results of its operations and its cash flows for the year then ended in accordance with Accounting Standards for Not-For-Profit Organizations in Bermuda and Canada.

PricewaterhouseCoopers Ltd.

Chartered Professional Accountants

The Bermuda Hospitals Charitable Trust

Balance Sheet

As at March 31, 2018

	2018 \$	2017 \$
Assets		
Current assets		
Cash	1,548,730	1,832,622
Accounts receivable	2,468	125,000
	<u>1,551,198</u>	<u>1,957,622</u>
Investments (note 5)	96,518	110,640
Loan receivable (note 9)	-	256,153
Property and equipment (note 3)	20,797	23,547
Total assets	<u>1,668,513</u>	<u>2,347,962</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	20,493	57,126
	<u>20,493</u>	<u>57,126</u>
Deferred contributions (note 4)	-	2,244,046
Total liabilities	20,493	2,301,172
Net assets	<u>1,648,020</u>	<u>46,790</u>
Total liabilities and net assets	<u>1,668,513</u>	<u>2,347,962</u>

Approved by the Trustees



Trustee



Trustee

The accompanying notes are an integral part of these financial statements.

The Bermuda Hospitals Charitable Trust

Statement of Operations and Changes in Net Assets

For the year ended March 31, 2018

	2018 \$	2017 \$
Revenue		
Donations and contributions (notes 4 and 10)	2,731,122	280,000
Dividends and interest income	6,822	5,032
	<u>2,737,944</u>	<u>285,032</u>
Expenditures		
Donations	718,719	2,000
Salaries and related expenses	125,193	81,873
Other operating expenses (note 6)	278,680	199,053
	<u>1,122,592</u>	<u>282,926</u>
Total expenditures	1,122,592	282,926
Change in fair value of investments	<u>(14,122)</u>	20,148
Excess of revenue over expenditures	1,601,230	22,254
Net assets - Beginning of year	<u>46,790</u>	24,536
Net assets - End of year	<u>1,648,020</u>	<u>46,790</u>

The accompanying notes are an integral part of these financial statements.

The Bermuda Hospitals Charitable Trust

Statement of Cash Flows

For the year ended March 31, 2018

	2018 \$	2017 \$
Cash flows for operating activities		
Excess of revenue over expenditures	1,601,230	22,254
Item not affecting cash:		
Depreciation	2,750	1,657
Write-off of loan	205,054	5,467
Change in fair value of investments	14,122	(20,148)
Amortization of deferred contributions	(2,691,066)	(198,000)
Changes in assets and liabilities:		
Accounts receivable	122,532	5,000
Prepaid expenses	-	6,020
Accounts payable and accrued liabilities	(36,633)	(8,115)
Deferred donations received	447,020	765,364
Net cash from (used in) operating activities	(334,991)	579,499
Cash flows for investing activities		
Purchase of property and equipment	-	(20,907)
Loan repayment	51,099	35,560
Net cash from investing activities	51,099	14,653
Increase (decrease) in cash	(283,892)	594,152
Cash - Beginning of year	1,832,622	1,238,470
Cash - End of year	1,548,730	1,832,622

The accompanying notes are an integral part of these financial statements.

The Bermuda Hospitals Charitable Trust

Notes to Financial Statements

March 31, 2018

1. Purpose of the organization

The Bermuda Hospitals Charitable Trust (the "Trust") was incorporated in Bermuda on July 3, 2003 by virtue of a Trust Deed in accordance with the Trustee Act 1975.

The Trust's overall goal, in accordance with the provisions of the Trust Deed, is to raise funds to further the charitable objectives of the Bermuda Hospitals Board, including purchase of medical equipment, supplies, plant and machinery and infrastructure of all types, and to supply these to any of the facilities under the supervision of the Bermuda Hospitals Board.

2. Significant accounting policies

The accompanying financial statements are prepared in accordance with Accounting Standards for Not-for-Profit Organizations in Bermuda and Canada ("ASNPO"). The preparation of financial statements in conformity with ASNPO 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 amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates. The following are the significant accounting policies adopted by the Trust to prepare its financial statements.

(a) Revenue and deferred donations

The Trust follows the deferral method of accounting for donations as follows:

- i. Restricted or deferred donations relating to specific expenditures are initially recorded at fair value and deferred in the balance sheet and recognised as revenue in the year in which the related expenses are incurred.
- ii. Unrestricted donations are recognised as revenue in the year received.

Pledged donations are recognized as a receivable when the amount to be received can be reasonably estimated and ultimate collection is reasonably assured. Restricted pledges are recognized as revenue in the year in which the related expenses are incurred while unrestricted pledges are recognized as revenue in the year received or deemed receivable.

At the discretion of the Trustees, a portion of the deferred donations will be released to cover the ongoing expenses of the Trust, and recorded as revenue at the effective approval date.

(b) Contributed services

The Trust recognises all contributed services as part of donations in the statement of operations for which the fair value is readily determinable.

Volunteers contribute a significant amount of time to assist the Trust with its goals. Because of the difficulty of determining their fair value, volunteer contributed services are not recognized in the financial statements.

(c) Property and equipment

Property and equipment consist of computers and office equipment which are amortized on a straight-line basis over their estimated useful lives as follows:

Computers	3 - 5 years
Office equipment	3 - 5 years
Computer Software	10 years

The accompanying notes are an integral part of these financial statements.

The Bermuda Hospitals Charitable Trust

Notes to Financial Statements

March 31, 2018

(d) **Investments**

Investments comprise marketable securities. Investments in quoted equity securities are carried at fair value. Changes in fair value are recognized in the statement of operations. The fair value of investments is determined by reference to their quoted market price. Investment income is recognized on an accrual basis.

Investments in unquoted equity securities are carried at cost.

(e) **Financial instruments**

The Trust initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions.

The Trust subsequently measures its financial assets and financial liabilities at amortized cost, except for investments in quoted equity securities which are measured at fair value. Amortization is recorded using the effective interest rate method.

Financial assets measured at amortized cost include cash and donations receivable. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities. The carrying amounts approximate fair value due to the short-term nature of these financial instruments.

The loan receivable arose from a related party transaction and is therefore measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Financial assets are tested for impairment at the end of each reporting period when there are indications that the assets may be impaired.

3. **Property and equipment**

Property and equipment comprise:

	Cost	Accumulated amortization	Net book value 2018	Net book value 2017
	\$	\$	\$	\$
Computer Software	20,907	2,090	18,817	20,907
Furniture & Fittings	3,300	1,320	1,980	2,640
Office equipment	1,815	1,815	-	-
Computers	1	1	-	-
	26,023	5,226	20,797	23,547

The Bermuda Hospitals Charitable Trust

Notes to Financial Statements

March 31, 2018

4. Deferred contributions and pledged donations

Following completion of construction of the new hospital, the trustees decided that all remaining restricted donations would be redesignated as unrestricted. All such donations will be used to further the general purpose of the Trust as set out in note 1.

Changes in the deferred contributions balance are as follows:

	Capital campaign \$	Purchase of morgue dialysis equipment \$	John Hopkins Phase 1 review \$	Building of the new Hospital \$	2018 Total \$	2017 Total \$
Beginning balance	11,000	25,000	10,682	2,197,364	2,244,046	1,676,682
Deferred donations recognized during the period	-	-	-	447,020	447,020	765,364
Amount recognized as income during the period	(11,000)	(25,000)	(10,682)	(2,644,384)	(2,691,066)	(198,000)
Ending balance	-	-	-	-	-	2,244,046

	Capital campaign \$	Purchase of morgue dialysis equipment \$	John Hopkins Phase 1 review \$	Building of the new Hospital \$	2017 Total \$	2016 Total \$
Beginning balance	11,000	25,000	10,682	1,630,000	1,676,682	3,002,432
Deferred donations recognized during the period	-	-	-	765,364	765,364	795,363
Amount recognized as income during the period	-	-	-	(198,000)	(198,000)	(2,121,113)
Ending balance	11,000	25,000	10,682	2,197,364	2,244,046	1,676,682

The Bermuda Hospitals Charitable Trust

Notes to Financial Statements

March 31, 2018

5. Investments

	No. of shares 2018	Cost 2018 \$	Fair value 2018 \$	No. of shares 2017	Cost 2017 \$	Fair vare 2017 \$
At fair value:						
Ascendant Group Ltd.	1,116	15,624	9,486	1,116	15,624	8,370
BF&M Limited	3,907	58,605	64,856	3,907	58,605	80,094
At cost:						
Masters Ltd.	1,152	22,176	22,176	1,152	22,176	22,176
		<u>96,405</u>	<u>96,518</u>		<u>96,405</u>	<u>110,640</u>

6. Other operating expenses

Other operating expenses consist of:

	2018 \$	2017 \$
Professional services	25,762	148,694
Office rent (note 10)	-	-
Audit fee (note 10)	25,000	25,000
Office expenses	5,975	9,702
Depreciation	2,750	1,657
Bank charges	2,539	3,637
Fundraising expenses	11,600	4,896
Provision for loan write-off	205,054	5,467
	<u>278,680</u>	<u>199,053</u>

7. Pension contributions

The Trust maintains a defined contribution pension plan in accordance with The National Pension Scheme (Occupational Pension) Act 1998, which is administered by Bermuda Life Insurance Company Limited and covers all employees. During the period, the Trust made contributions of \$5,041 (2017 - \$3,954) into the plan.

8. Capital disclosures

The Trust defines capital, for its own purposes, as the unrestricted cumulative excess of revenues over expenditures. During the current year the Trust's objective when managing capital, which was unchanged from the prior year, was to hold sufficient unrestricted net assets to enable it to withstand negative unexpected financial events and continue as a going concern. The Trust seeks to achieve this objective by minimizing its exposure to financial leverage and variable financial obligations and by holding cash to maintain sufficient liquidity to enable it to meet its obligations as they become due. The Trustees will also periodically allocate a portion of deferred donations to cover the ongoing operating expenses of the Trust. As at March 31, 2018 the Trust's unrestricted capital amounted to \$1,648,020 (2017 - \$46,790). The Trust is not subject to any externally imposed requirements on capital.

The Bermuda Hospitals Charitable Trust

Notes to Financial Statements

March 31, 2018

9. Loan receivable

The Trust has advanced funds on an interest free basis to the Bermuda Wellness Foundation, an organization formed in the U.S.A., to fund start-up costs and other initial operating costs. The purpose of Bermuda Wellness Foundation is to raise the charitable healthcare support from U.S.A. donors willing to support the health and wellbeing services in Bermuda. On June 23, 2014, a payment agreement was entered between the Trust and Bermuda Wellness Foundation whereby the latter agrees to pay the Trust the lesser amount of 15% of donations received by the Bermuda Wellness Foundation in the preceding six months; or \$50,000 to be received semi-annually from June 2014 until the loan is paid in full. On December 21, 2015, the Trust received \$6,638 of loan repayments. In the period up to March 31, 2017, the Trust received an additional \$41,925 of loan repayments and received \$51,099 on August 14, 2017. In 2018, in an abundance of caution, the Board resolved to writedown the remaining loan balance of \$205,054 (2017 - \$256,153) as at March 31, 2018 to \$Nil.

10. Contributed services

For the year ended March 31, 2018 donated audit fees of \$25,000 (2017 - \$25,000) were recognised within donations and contributions in the statement of operations, and the related expenses are recognized as part of the expenditures of the Trust.

11. Financial instruments

The Trust is exposed to various risks through its financial instruments. The following analysis provides a measure of the entity's risk exposure and concentrations as at March 31, 2018.

Liquidity risk

Liquidity risk is the risk that the Trust will encounter difficulty in meeting obligations associated with financial liabilities. The Trust is exposed to this risk mainly in respect of its accounts payable and accrued liabilities. The Trust controls liquidity risk by management of working capital and cash flows. At March 31, 2018, the Trust has sufficient cash to pay its various expenses. All donations receivable are collectible in less than a year. In addition, the Trust's investments in marketable securities are considered to be readily realisable as majority of the investments are listed on the Bermuda Stock Exchange (BSX).

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Trust's main credit risk arises principally from the Trust's cash, accounts receivable and loan receivable.

The Trust only deposits cash with major banks of high quality credit standing. The Trust is not exposed to significant credit risk on its cash. Donations receivable balances relate to pledged donations that will be collected in less than a year. The Trust considers all donations receivable balances to be recoverable and no allowance for impairment has been made. The loan receivable is discussed in note 9.

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. The Trust is mainly exposed to market risk through its investments. Majority of the Trust's investments are quoted on the BSX.