

The Bermuda Hospitals Charitable Trust

Financial Statements
March 31, 2019



Independent auditor's report

To the Trustees of The Bermuda Hospitals Charitable Trust

Our qualified opinion

In our opinion, except for the possible effects of the matter described in the *Basis for qualified opinion* section of our report, the financial statements present fairly, in all material respects, the financial position of The Bermuda Hospitals Charitable Trust (the Trust) as at March 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with Accounting Standards for Not-For-Profit Organizations in Bermuda and Canada.

What we have audited

The Trust's financial statements comprise:

- the balance sheet as at March 31, 2019;
- the statement of operations and changes in net assets for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for qualified opinion

In common with many not-for-profit organizations, the Trust derives revenue from individual and corporate donations and contributions, 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 Trust. Therefore, we were not able to determine whether any adjustments might be necessary to donations and contributions, excess of revenue over expenditures and net cash from (used in) operating activities for the years ended March 31, 2019 and March 31, 2018, current assets and net assets as at March 31, 2019 and March 31, 2018. In addition to the modification to our audit opinion for the current year, our audit opinion for the prior year was also modified accordingly because of the possible effects of this limitation in scope.

We conducted our audit in accordance with auditing standards generally accepted in Bermuda and Canada. 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.



Independence

We are independent of the Trust in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the ethical requirements of the Chartered Professional Accountants of Bermuda Rules of Professional Conduct (CPA Bermuda Rules) that are relevant to our audit of the financial statements in Bermuda. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the CPA Bermuda Rules.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Trust'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 Trust or to cease operations, or has no realistic alternative but to do so.

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 auditing standards generally accepted in Bermuda and Canada 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 auditing standards generally accepted in Bermuda and Canada, we exercise professional judgment and maintain professional scepticism 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 Trust'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 Trust'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 Trust 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.

Ricard Althaus Lopez Ltd.

Chartered Professional Accountants

Hamilton, Bermuda

September 13, 2019

The Bermuda Hospitals Charitable Trust

Balance Sheet

As at March 31, 2019

	2019	2018
	\$	\$
Assets		
Current assets		
Cash	1,587,006	1,548,730
Accounts receivable	405	2,468
	<u>1,587,411</u>	<u>1,551,198</u>
Investments (note 5)	107,287	96,518
Property and equipment (note 3)	18,045	20,797
Total assets	<u>1,712,743</u>	<u>1,668,513</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	22,133	20,493
Total liabilities	22,133	20,493
Net assets	<u>1,690,610</u>	<u>1,648,020</u>
Total liabilities and net assets	<u>1,712,743</u>	<u>1,668,513</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, 2019

	2019	2018
	\$	\$
Revenue		
Donations and contributions (notes 4 and 9)	372,455	2,731,122
Dividends and interest income	5,825	6,822
	<u>378,280</u>	<u>2,737,944</u>
Expenditures		
Donations	163,670	718,719
Salaries and related expenses	114,929	125,193
Other operating expenses (note 6)	67,860	278,680
	<u>346,459</u>	<u>1,122,592</u>
Total expenditures	346,459	1,122,592
Change in fair value of investments	10,769	(14,122)
	<u>42,590</u>	<u>1,601,230</u>
Excess of revenue over expenditures	42,590	1,601,230
Net assets - Beginning of year	1,648,020	46,790
	<u>1,690,610</u>	<u>1,648,020</u>
Net assets - End of year	1,690,610	1,648,020

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, 2019

	2019	2018
	\$	\$
Cash flows for operating activities		
Excess of revenue over expenditures	42,590	1,601,230
Item not affecting cash:		
Depreciation	2,752	2,750
Write-off of loan administration costs	-	205,054
Change in fair value of investments	(10,769)	14,122
Amortization of deferred contribution	-	(2,691,066)
Changes in assets and liabilities:		
Accounts receivable	2,063	122,532
Accounts payable and accrued liabilities	1,640	(36,633)
Deferred donations received	-	447,020
Net cash from (used in) operating activities	<u>38,276</u>	<u>(334,991)</u>
Cash flows for investing activities		
Loan repayment	-	51,099
Net cash from investing activities	<u>-</u>	<u>51,099</u>
Increase (decrease) in cash	38,276	(283,892)
Cash - Beginning of year	<u>1,548,730</u>	<u>1,832,622</u>
Cash - End of year	<u>1,587,006</u>	<u>1,548,730</u>

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

The Bermuda Hospitals Charitable Trust

Notes to Financial Statements

March 31, 2019

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 Bermuda Hospitals Charitable Trust

Notes to Financial Statements

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(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 2019	Net book value 2018
	\$	\$	\$	\$
Computer Software	20,907	4,182	16,725	18,817
Furniture & Fittings	3,300	1,980	1,320	1,980
Office equipment	1,815	1,815	-	-
Computers	1	1	-	-
	<u>26,023</u>	<u>7,978</u>	<u>18,045</u>	<u>20,797</u>

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Notes to Financial Statements
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4. Deferred contributions and pledged donations

Deferred contributions represent externally restricted resources. For the building of the new Hospital, donations revenue is recognized in the period that the funds are given to the Bermuda Hospitals Board.

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 \$	2019 Total \$	2018 Total \$
Beginning balance	-	-	-	-	-	2,244,046
Deferred donations recognized during the period	-	-	-	-	-	447,020
Amount recognized as income during the period	-	-	-	-	-	(2,691,066)
Ending balance	-	-	-	-	-	-

The Bermuda Hospitals Charitable Trust
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5. Investments

	No. of shares 2019	Cost 2019 \$	Fair value 2019 \$	No. of shares 2018	Cost 2018 \$	Fair vare 2018 \$
At fair value:						
Ascendant Group Ltd.	1,116	15,624	24,552	1,116	15,624	9,486
BF&M Limited	3,907	58,605	60,559	3,907	58,605	64,856
At cost:						
Masters Ltd.	1,152	22,176	22,176	1,152	22,176	22,176
		<u>96,405</u>	<u>107,287</u>		<u>96,405</u>	<u>96,518</u>

6. Other operating expenses

Other operating expenses consist of:

	2019 \$	2018 \$
Professional services	16,200	25,762
Audit fee (note 10)	25,000	25,000
Office expenses	9,944	5,975
Depreciation	2,751	2,750
Bank charges	2,222	2,539
Fundraising expenses	11,743	11,600
Provision for loan write-off	-	205,054
	<u>67,860</u>	<u>278,680</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 \$5,000 in 2019 (2018 - \$5,041) 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, 2019 the

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March 31, 2019

Trust's unrestricted capital amounted to \$1,690,610 (2018 - \$1,648,020). The Trust is not subject to any externally imposed requirements on capital.

9. Contributed services

For the year ended March 31, 2019 donated audit fees of \$25,000 (2018 - \$25,000) and donated office rent of \$nil (2018 - \$ nil) respectively, are recognised within donations and contributions in the statement of operations, and the related expenses are recognized as part of the expenditures of the Trust.

10. 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, 2019.

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, 2019, 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 Trust mitigates credit risk arising from its loan receivable by dealing with what management believes to be a financially sound counterparty and, accordingly, does not anticipate significant loss for non-performance.

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.

11. The Bermuda Hospitals Charitable Foundation

The Trustees considered it expedient to incorporate a company limited by guarantee to carry out the operational activities of the Trust under the name of the Bermuda Hospitals Charitable Foundation (the "Foundation") of which the trustees are the sole members.

The Foundation has substantially similar objects as the Trust and one or more of the Trustees are directors of the Foundation.