

**BERMUDA CANCER AND HEALTH CENTRE**

**Financial Statements**

(With Independent Auditor's Report Thereon)

For the year ended December 31, 2019



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## **INDEPENDENT AUDITOR'S REPORT**

### **To the Members of Bermuda Cancer and Health Centre**

#### **Qualified opinion**

We have audited the financial statements of Bermuda Cancer and Health Centre (the "Centre"), which comprise the statement of financial position as at December 31, 2019, the statements of revenues and expenditures, changes in net assets 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 Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Centre as at December 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 generally accepted in Bermuda and Canada ("ASNFP").

#### **Basis for qualified opinion**

The Centre derives the following revenues from the general public in the form of donations, which are included as \$833,801 (2018 - \$829,329) of donations for uninsured and underinsured patients, \$221,437 (2018 - \$382,432) of donations which are included in the statements of revenues and expenditures, changes in net assets and cash flows, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues and deferred contributions was limited to the amounts recorded by the Centre. Therefore, we were not able to determine whether any adjustments might be necessary to revenues and excess of revenues over expenditures reported in the statements of revenues and expenditures, changes in net assets and cash flows for the years ended December 31, 2019 and 2018, and deferred contributions, cash and cash equivalents and net assets reported in the statement of financial position as at December 31, 2019 and 2018.

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 Centre 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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 Centre'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 Centre or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Centre'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 Centre'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 Centre'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 Centre 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  
April 30, 2020

**BERMUDA CANCER AND HEALTH CENTRE**

## Statement of Financial Position

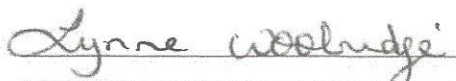
As at December 31, 2019  
(Expressed in Bermuda Dollars)

	<u>2019</u>	<u>2018</u>
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents (Note 2(c))	\$ 2,234,468	\$ 1,821,695
Internally restricted cash and cash equivalents (Note 2(c))	-	1,000,000
Donations receivable (Note 6)	50,000	150,000
Accounts receivable (Net of a provision of \$nil; 2018 - \$200,000)	1,330,976	1,063,315
Prepaid expenses	236,820	288,383
Inventories (Note 2(d))	<u>14,785</u>	<u>17,222</u>
<b>Total current assets</b>	<b>3,867,049</b>	<b>4,340,615</b>
Investments (Note 3)	292,658	218,218
Term deposits (Note 3)	486,407	-
Internally restricted term deposits (Note 3)	1,500,000	-
Internally restricted cash and cash equivalents (Note 2(c))	-	500,000
Capital assets (Note 4)	<u>9,790,502</u>	<u>10,374,821</u>
<b>Total assets</b>	<b>\$ 15,936,616</b>	<b>\$ 15,433,654</b>
<b>Liabilities and net assets</b>		
<b>Current liabilities</b>		
Bank loan, current (Note 5)	\$ -	\$ 500,000
Accounts payable and accrued liabilities (Notes 10 and 14)	<u>1,303,022</u>	<u>1,216,069</u>
<b>Total current liabilities</b>	<b>1,303,022</b>	<b>1,716,069</b>
Bank loan, non-current (Note 5)	-	999,494
Deferred contributions (Note 6)	<u>5,103,989</u>	<u>5,960,907</u>
<b>Total liabilities</b>	<b>6,407,011</b>	<b>8,676,470</b>
<b>Net assets</b>		
Unrestricted net assets	9,000,983	6,224,112
Restricted net assets (Note 7)	<u>528,622</u>	<u>533,072</u>
<b>Total net assets</b>	<b>9,529,605</b>	<b>6,757,184</b>
<b>Total liabilities and net assets</b>	<b>\$ 15,936,616</b>	<b>\$ 15,433,654</b>

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

On behalf of the Board of Directors:


 \_\_\_\_\_ Director


 \_\_\_\_\_ Director

**BERMUDA CANCER AND HEALTH CENTRE**

## Statement of Revenues and Expenditures

For the year ended December 31, 2019  
(Expressed in Bermuda Dollars)

	<u>2019</u>	<u>2018</u>
<b>Revenues</b>		
Radiation therapy services	\$ 7,207,865	\$ 5,753,126
Mammography services	3,111,962	2,700,819
Amortization of deferred contributions (Note 6)	951,938	1,008,263
Donations for uninsured and underinsured patients	833,801	829,329
Densitometry services	560,700	521,923
Ultrasound services	410,333	385,456
Donations	221,437	382,432
Biopsy service - breast	171,223	14,067
Net change in fair value of investments (Note 3)	74,440	23,299
Biopsy service – prostate	33,770	28,279
Interest income	9,644	9,277
Dividends from investments	8,667	7,652
Other income	7,500	–
Prescription sales (Note 2(d))	<u>1</u>	<u>168</u>
 Total revenues	 <u>13,603,281</u>	 <u>11,664,090</u>
 <b>Expenditures</b>		
General and administrative (Note 8)	6,184,012	5,555,387
Radiation therapy expenses	2,262,572	1,850,690
Subsidy for underinsured patients (Note 9)	1,522,599	1,414,086
Mammography expenses	290,201	264,720
Donation to uninsured patients (Note 9)	211,752	448,369
Fundraising and education	225,841	143,919
Biopsy expenses - breast	51,786	525
Densitometry expenses	28,276	30,017
Interest expense (Note 5)	23,489	203,991
Ultrasound expenses	21,830	29,754
Biopsy expenses – prostate	8,427	1,346
Genetics program	75	2,330
Loss on disposal of asset	<u>–</u>	<u>34,529</u>
 Total expenditures	 <u>10,830,860</u>	 <u>9,979,663</u>
 Excess of revenues over expenditures	 <u>\$ 2,772,421</u>	 <u>\$ 1,684,427</u>

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

**BERMUDA CANCER AND HEALTH CENTRE**

Statement of Changes in Net Assets

Year ended December 31, 2019  
 (Expressed in Bermuda Dollars)

	Restricted net assets (Note 7)						Unrestricted net assets	2019 Total	2018 Total
	Capacity building	Scholarship	Cancer information services	Under/ uninsured	Men's health	Total			
Balance beginning of year	\$ 1,250	\$ 54,415	\$ 262,313	\$ 52,113	\$ 162,981	\$ 533,072	\$ 6,224,112	\$ 6,757,184	\$ 5,072,757
Excess (deficit) of revenues over expenses	<u>1,250</u>	<u>1,088</u>	<u>—</u>	<u>(51,373)</u>	<u>44,585</u>	<u>(4,450)</u>	<u>2,776,871</u>	<u>2,772,421</u>	<u>1,684,427</u>
Balance at end of year	<u>\$ 2,500</u>	<u>\$ 55,503</u>	<u>\$ 262,313</u>	<u>\$ 740</u>	<u>\$ 207,566</u>	<u>\$ 528,622</u>	<u>\$ 9,000,983</u>	<u>\$ 9,529,605</u>	<u>\$ 6,757,184</u>

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

**BERMUDA CANCER AND HEALTH CENTRE**

## Statement of Cash Flows

For the year ended December 31, 2019  
*(Expressed in Bermuda Dollars)*

	<u>2019</u>	<u>2018</u>
<b>Operating activities</b>		
Excess of revenues over expenditures	\$ 2,772,421	\$ 1,684,427
Adjustments for:		
Amortization of capital assets	1,225,696	1,212,542
Amortization of deferred contributions	(951,938)	(1,008,263)
Bad debt recovery	(198,548)	(212,777)
Loss on disposal of assets	-	34,529
Net change in fair value of investments	(74,440)	(23,299)
Changes in non-cash working capital balances:		
Accounts receivable	(69,113)	700,499
Donations receivable	100,000	525,000
Prepaid expenses	51,563	(174,541)
Inventories	2,437	5,999
Accounts payable and accrued liabilities	<u>86,953</u>	<u>121,291</u>
Cash provided by operating activities	<u>2,945,031</u>	<u>2,865,407</u>
<b>Investing activities</b>		
Investment in term deposits	(1,986,407)	-
Purchase of capital assets, net	(641,377)	(277,674)
Proceeds on maturity of term deposits	<u>-</u>	<u>500,000</u>
Cash (used in) provided by investing activities	<u>(2,627,784)</u>	<u>222,326</u>
<b>Financing activities</b>		
Amount repaid on bank loan, net (Note 5)	(1,499,494)	(2,000,000)
Net cash contributions received for capital campaigns (Note 6)	<u>95,020</u>	<u>316,913</u>
Cash used in financing activities	<u>(1,404,474)</u>	<u>(1,683,087)</u>
Net (decrease) increase in cash and cash equivalents	(1,087,227)	1,404,646
Internally restricted cash and cash equivalents (Notes 2(c) and 5)	1,500,000	(1,500,000)
Cash and cash equivalents at beginning of year	<u>1,821,695</u>	<u>1,917,049</u>
Cash and cash equivalents at end of year	<u>\$ 2,234,468</u>	<u>\$ 1,821,695</u>
<b>Supplementary information:</b>		
Interest paid (Note 5)	<u>\$ 44,941</u>	<u>\$ 204,544</u>

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

# BERMUDA CANCER AND HEALTH CENTRE

## Notes to Financial Statements

December 31, 2019

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### 1. General

The Bermuda Cancer and Health Centre (the "Centre") is a registered charity formed on July 17, 1945 for the original purpose of assisting tuberculosis, cancer and diabetic patients in Bermuda. On July 2, 2007, the Centre converted from an unincorporated Association to a company limited by guarantee and changed its name from Bermuda Tuberculosis, Cancer and Health Association to Bermuda Cancer & Health Resource Centre. On August 31, 2007, the Centre changed its name to Bermuda Cancer and Health Centre and its current mission is to provide the highest standard of early detection, radiation treatment, support, care and education for cancer and other diseases to all.

### 2. Significant accounting policies

These financial statements were prepared in accordance with accounting standards for not-for-profit organizations generally accepted in Bermuda and Canada ("ASNFP") contained in Part III of the Chartered Professional Accountants of Canada ("CPA Canada") Handbook – Accounting, and include the following significant accounting policies:

#### (a) Use of estimates

The preparation of these financial statements in conformity with ASNFP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the period. These estimates are reviewed periodically and adjustments are made to revenues and expenditures as appropriate in the year they become known. Actual results could differ from the amount estimated.

#### (b) Revenue recognition

The Centre follows the deferral method of accounting for contributions. Restricted contributions that relate to expenses of future periods are deferred and, to the extent they have been received or pledged, are recognized as revenue in the period in which the related expenses are incurred. 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.

Revenues from services are recognized when the service is provided to the client and the collectability of the related receivable from the client's insurance provider is reasonably assured.

All other income, except for contributions, is recognized on the accruals basis when earned.

#### (c) Cash and cash equivalents

The Centre considers all cash on hand, deposits with financial institutions that can be withdrawn without notice or penalty, and short-term deposits with an original maturity of ninety days or less as equivalent to cash. Interest earned on cash and cash equivalents is at rates ranging between nil% and 0.40% (2018 - nil% and 0.50%) per annum.

In December 2018, the Board of Directors approved by Unanimous Written Resolution, to internally restrict \$1.5 million of cash on hand for the purpose of repayment of the bank loan (Note 5) or to meet the costs of providing services to the uninsured (Note 9) or the costs associated with transporting uninsured or underinsured patients to an overseas treatment facility in the event the Centre is forced to temporarily cease on-island radiation treatment due to a natural disaster or other cause. This internal restriction was subsequently decreased to \$500,000 on full repayment of the bank loan. The cash equivalent was rolled over during the year and held as a one year term deposit as at December 31, 2019 (Note 5).



# BERMUDA CANCER AND HEALTH CENTRE

## Notes to Financial Statements

December 31, 2019

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### 2. Significant accounting policies (continued)

#### (d) Inventories

Inventories are carried at the lower of cost and net realizable value, and are valued on a first-in, first-out basis. Included in prescription purchases are recognized inventory expense reversal of \$1 (2018 – \$168). There were no inventories written off during the year (2018 - \$nil) and no provision for obsolete or slow-moving inventories at the reporting date (2018 - \$nil).

#### (e) Capital assets

Capital assets are recorded at cost less accumulated amortization and impairment losses, if any. Land is not amortized. Capital assets are separated into their significant component parts when practicable and when estimates can be made of the lives of the separate components.

Amortization of buildings, equipment and other assets is provided over the estimated useful lives of the assets on a straight line basis as follows:

Buildings	20 years
Building improvements	10 years
Medical equipment	5-15 years
Vehicle	5 years
Furniture and fixtures	5 years
Office equipment	3 years
Website development	5 years

Capital assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to either fair value or replacement cost, on an asset-by-asset basis. If the carrying amount of an asset exceeds either its fair value or replacement cost, an impairment charge is recognized by the excess value over the carrying amount of the asset.

Capital assets under construction or not ready for use are capitalized at cost. Costs include construction costs professional fees, borrowing costs and all other directly attributable costs associated with the construction of the Radiation Therapy Unit and the purchase of the associated Radiation Therapy equipment (Note 4). Amortization of these assets is on the same basis as capital assets, and commence when the assets are available for their intended use.

#### (f) Donated services

Volunteer efforts and non-cash donations are reflected in these financial statements only when a fair value can be reasonably estimated.

#### (g) Donations receivable

Donations receivable are recognized on the statement of financial position when the Centre can reliably estimate the amount to be received and collection of this amount is fairly certain. Donations receivable for longer than a 12 month period from the statement of financial position date are not recognized.

# BERMUDA CANCER AND HEALTH CENTRE

## Notes to Financial Statements

December 31, 2019

### 2. Significant accounting policies (continued)

#### (h) Financial instruments

Financial assets consist of cash and cash equivalents, internally restricted cash and cash equivalents, term deposits, investments, accounts receivable and donations receivable. Financial liabilities consist of bank loan payable and accounts payable.

Investments quoted in an active market are initially measured at fair value as at the trade date, and then re-measured to fair value at the reporting date, with the related net change in fair value included in revenues and expenditures. The fair value of the investments is based on quoted market values. Transaction costs are recognized in revenues and expenditures in the period incurred.

Purchases and sales of investments are accounted for at the transaction date.

All other financial assets are initially measured at cost being the fair value of the consideration paid. Subsequent to initial recognition, other financial assets are measured at amortized cost, less any adjustment for impairment.

Financial liabilities are measured at amortized cost.

Financial assets measured at amortized cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in the statement of revenues and expenditures. 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 revenues and expenditures.

### 3. Investments and term deposits

Investments include marketable securities consisting of:

Number of shares	Securities held	2019		2018	
		Cost	Fair value	Cost	Fair value
2,318	Butterfield Bank	\$ 38,871	\$ 71,858	\$ 38,871	\$ 69,540
4,000	Somers Limited (formerly Bermuda Commercial Bank Ltd.)	21,575	48,000	21,575	62,000
4,509	Ascendant Group Ltd.	70,712	162,324	70,712	76,202
3,492	KeyTech Limited	<u>49,213</u>	<u>10,476</u>	<u>49,213</u>	<u>10,476</u>
		<u>\$ 180,371</u>	<u>\$ 292,658</u>	<u>\$ 180,371</u>	<u>\$ 218,218</u>

**BERMUDA CANCER AND HEALTH CENTRE**

## Notes to Financial Statements

December 31, 2019

**3. Investments and term deposits** (continued)

Term deposits held by the Centre at December 31, 2019 (2018 - \$nil) consist of:

<u>Bank</u>	<u>Annual Rate</u>	<u>Term</u>	<u>Maturity</u>	<u>Amount</u>
Clarien Bank Limited	1.85%	1 year	07-Oct 2020	\$ 986,407
Bermuda Commercial Bank	3.00%	3 year	10-Dec 2020	\$ 400,000
Bermuda Commercial Bank	2.00%	2 year	10-Dec 2021	\$ 300,000
Bermuda Commercial Bank	2.00%	1 year	10-Dec 2022	\$ 300,000

\$1,500,000 of the total of \$1,986,407 in term deposits represents funds internally restricted by Unanimous Written Resolutions of the Board of Directors as follows: i) \$500,000 (Note 2(c)) of previously restricted cash and cash equivalents – approved in 2018 to meet the costs of providing services to the uninsured (Note 9) or the costs associated with the transfer of care of uninsured or underinsured patients to an overseas treatment facility should on-island radiation treatment cease temporarily due to a natural disaster or other cause – was rolled over to longer term deposit during the year and ii) \$1,000,000 approved in 2019 for the purposes of purchasing or replacement of clinical assets.

**4. Capital assets**

Capital assets consist of:

	<u>2019</u>			<u>2018</u>
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Net book value</u>	<u>Net book value</u>
Land	\$ 987,428	\$ –	\$ 987,428	\$ 987,428
Assets under construction	–	–	–	21,222
Building and building improvements	8,916,019	3,618,618	5,297,401	5,326,900
Medical equipment	6,001,830	2,804,444	3,197,386	3,590,262
Vehicle	17,630	15,674	1,956	3,719
Office equipment and furniture	1,775,796	1,484,555	291,241	423,116
Website development	<u>62,074</u>	<u>46,984</u>	<u>15,090</u>	<u>22,174</u>
	<u>\$ 17,760,777</u>	<u>\$ 7,970,275</u>	<u>\$ 9,790,502</u>	<u>\$ 10,374,821</u>

The cost and accumulated amortization of capital assets at December 31, 2018 were \$17,119,400 and \$6,744,579, respectively. During the year the Centre disposed of capital assets with a cost of \$nil and a net book value of \$nil (2018 - \$34,529) which were no longer in use.

In May 2014, the Centre launched a capital campaign for the construction of a Radiation Therapy Unit. No assets under construction (2018 - \$nil) were capitalized during the year relating to this project and the capital campaign is now closed. Amortization on these assets under construction commenced in May 2017 when the Radiation Therapy Unit treated its first patients

## BERMUDA CANCER AND HEALTH CENTRE

### Notes to Financial Statements

December 31, 2019

#### 5. Bank loan

	<u>2019</u>	<u>2018</u>
Current	\$ —	\$ 500,000
Long-term	<u>—</u>	<u>999,494</u>
Total	<u>—</u>	<u>\$ 1,499,494</u>

In August 2016, the Centre entered into a \$5,000,000, five year loan facility agreement with Bermuda Commercial Bank (the "Bank") which was fully repaid on March 29, 2019. Interest was payable in arrears at a rate of three month LIBOR plus 4.5% per annum, adjusted quarterly. The facility was available through October 31, 2017 at which time un-drawn funds lapsed. Interest expense amounting to \$23,489 (2018 - \$203,991) was recognized during the year. An arrangement fee expense for this facility in the amount of \$25,000 was incurred in 2016 and also capitalized (Note 4).

Through to repayment date, the Bank had a fixed and floating charge over the Centre's building and the Centre was subject to loan covenants imposed by the Bank with which it was fully compliant.

#### 6. Deferred contributions

Deferred contributions represent unamortized restricted contributions for capital campaigns. Changes in the deferred contributions balance are as follows:

	<u>2019</u>	<u>2018</u>
Balance, beginning of year	\$ 5,960,907	\$ 6,652,257
New contributions during the current year, net	45,020	166,913
Donations receivable	50,000	150,000
Amounts amortized to revenue in the year	<u>(951,938)</u>	<u>(1,008,263)</u>
Balance, end of period	<u>\$ 5,103,989</u>	<u>\$ 5,960,907</u>

In 2000, the Centre launched a building campaign to raise \$4 million for a new Cancer Resource Centre.

In May 2014, the Centre launched a new capital campaign for a Radiation Treatment Centre. The deferred contributions balance comprises amounts contributed during the current year and prior years, which is externally restricted for the building of, and new equipment for, the Centre.

Donations receivable in the amount of \$50,000 (2018 - \$150,000) has been recognized with respect to the Radiation Therapy Unit campaign. These amounts are expected to be received within the next 12 months from various donors.

#### 7. Restricted net assets

Restricted net assets represent unspent resources internally restricted for the Scholarship Fund as well as restricted capital campaign funds. The externally restricted funds include the Cancer Information Services ("CIS"), Capacity Building, Radiation Therapy, Men's Health and Underinsured/Uninsured Fund.

## BERMUDA CANCER AND HEALTH CENTRE

### Notes to Financial Statements

December 31, 2019

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#### 8. General and administrative expenditures

	<u>2019</u>	<u>2018</u>
Salaries and related costs (Note 10)	\$ 3,718,087	\$ 3,257,883
Amortization of capital assets (Note 4)	1,225,696	1,212,542
Professional fees	423,632	260,374
Radiologist support and outsourced costs	411,289	543,522
Electricity and water	138,139	131,242
Insurance (Note 12)	129,256	110,394
Building operation and maintenance	126,545	102,518
Miscellaneous	54,020	8,897
Membership and license fees	48,512	60,751
Bank charges	35,785	14,669
Telephone and postage	33,161	32,092
Office supplies	27,118	23,603
Office equipment maintenance	10,875	9,232
Annual charity fee	445	445
Bad debt recovery	<u>(198,548)</u>	<u>(212,777)</u>
	<u>\$ 6,184,012</u>	<u>\$ 5,555,387</u>

#### 9. Donation to uninsured patients and subsidy for underinsured patients

The donation to uninsured patients of \$211,752 (2018 - \$448,369) represents services donated by the Centre for patients without insurance. The subsidy for underinsured patients of \$1,522,599 (2018 - \$1,414,086) represents primarily the shortfall in reimbursement from the Government's public health insurance plans, namely HIP and FutureCare. The Centre's fundraising activities fund a portion of these donated and subsidized costs, which helps ensure the continued ability of the Centre to deliver services to customers who are uninsured and underinsured.

#### 10. Employee future benefits

The Centre has a defined contribution pension plan providing pension benefits to all of its employees. Employee pension contributions of 5% are matched by the Centre. Pension expense incurred by the Centre in the current year was \$91,627 (2018 - \$147,227) and is included in general and administrative expenditures under salaries and related costs (Note 8). Included in accounts payable and accrued liabilities as at December 31, 2019 is \$nil in accounts payable for December contributions (2018 - \$22,130) and \$22,012 in accrued pension contributions (2018 - \$26,689).

#### 11. Financial instruments

The estimated fair values of financial instruments, including cash and cash equivalents, internally restricted cash and cash equivalents, term deposits, accounts receivable and accounts payable approximate their carrying values due to their relative short-term nature or the fact that they attract market rates of interest. The estimated fair value of marketable securities based on year-end quoted market bid prices is disclosed in Note 3.

The estimates of fair values presented herein are subjective in nature and are not necessarily indicative of the amounts that the Centre would realize in a current market exchange. Certain items such as inventories, deferred contributions, accrued liabilities and capital assets are excluded from the fair value disclosure. Thus, the individual fair value amounts cannot be aggregated to determine the underlying fair value of the Centre.

**11. Financial instruments (continued)**

The Centre has a comprehensive risk management framework to monitor, evaluate and manage the principal risks assumed with financial instruments. The risks that arise from transacting financial instruments include, liquidity risk, credit risk and market risk.

*Liquidity risk*

Liquidity risk is the risk that the Centre will not be able to meet its financial obligations when they become due. It arose mainly in respect of the bank loan which has been repaid in full (Note 5). The Centre manages liquidity to ensure sufficient funds are available to meet its liabilities in any situation when they fall due. Management believes that the Centre is not exposed to any significant concentration of liquidity risk.

*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 Centre's exposure to credit risk is limited to the carrying amount of its cash and cash equivalents, internally restricted cash and cash equivalents, term deposits and accounts receivable. The Centre holds cash and cash equivalents and term deposits with three Bermuda-based financial institutions which are externally regulated by the Bermuda Monetary Authority. The Centre monitors its accounts receivable balances and recorded a provision for impairment of accounts receivable of \$nil (2018 - \$200,000). Management believes that the Centre is not exposed to any significant concentration of credit risk other than the receivables generated in the normal course of business with the local insurance companies.

*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. The Centre is exposed to market risk with respect to its marketable securities which comprise investments in Bermuda listed companies quoted on the Bermuda Stock Exchange and until full repayment, interest rate risk through the bank loan payable which had a variable rate of interest. The Centre has no significant exposure to currency risk.

**12. Related party transactions**

During the normal course of its operations, the Centre purchased employee health benefits of \$364,622 (2018 - \$273,212) and property contents, vehicles, medical malpractice, and directors and officers liability insurance totaling \$111,243 (2018 - \$111,427), from BF&M Ltd. where a Board member of the Centre was the Senior Vice President. These amounts are included in general and administrative expenditures (Note 8). In addition, the Centre has a defined contribution pension plan (Note 10) administered by BF&M Ltd.

**13. Capital management**

The Centre defines capital, for its own purposes, as restricted and unrestricted fund balances. During the year the Centre's objective when managing capital, which was unchanged from previous years, was to hold sufficient unrestricted funds to enable it to withstand negative unexpected financial events and continue as a going concern. The Centre seeks to achieve this objective by holding sufficient cash and cash equivalents to maintain liquidity and enable it to meet its obligations as they become due. The Centre is not subject to any externally imposed requirements on capital.

## **BERMUDA CANCER AND HEALTH CENTRE**

### Notes to Financial Statements

December 31, 2019

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#### **14. Government remittances payable**

Included in accounts payable and accrued liabilities are government remittances payable of \$55,649 (2019 - \$45,085).

#### **15. Subsequent events**

Subsequent to the year end, many countries including Bermuda have experienced an outbreak of the COVID-19 virus and on March 11, 2020, the World Health Organization officially declared the outbreak of COVID-19 a global pandemic. Management is closely monitoring the evolution of this pandemic, including how it may affect the economy and general population. COVID-19 has caused disruption to businesses and economic activity which has been reflected in recent fluctuations in global and local stock markets. The Centre considers the emergence and spread of COVID-19 to be a non-adjusting post balance sheet event which has no impact on its assets and liabilities as at December 31, 2019. Given the inherent uncertainties, it is not practicable at this time to fully determine the impact of COVID-19 on the future operating and financial performance of the Centre. However, an initial assessment of captions within the financial statements that have a potential to be impacted include donations revenue, services revenue and the valuation of the Centre's investments (Note 3). These could in turn impact the Centre's solvency position. These impacts cannot be reasonably estimated at this time to provide a quantitative assessment; however, it could potentially be significant to the Centre. While the Centre expects impacts on its operations as a result of the COVID-19 outbreak it continues to adopt the going concern basis in preparing its financial statements.