

BERMUDA CANCER AND HEALTH CENTRE

Financial Statements

(With Independent Auditor's Report Thereon)

For the year ended December 31, 2015



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INDEPENDENT AUDITOR'S REPORT

To the Members of Bermuda Cancer and Health Centre

We have audited the accompanying financial statements of Bermuda Cancer and Health Centre (the "Centre"), which comprise the statement of financial position as at December 31, 2015, the statements of revenues and expenditures, changes in net assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting standards for not-for-profit organizations generally accepted in Bermuda and Canada and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Bermuda and Canada. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Centre'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 Centre's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

In common with many charitable organizations, the Centre derives a portion of its revenues from the general public in the form of donations and contributions, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of donations and deferred contributions was limited to the amounts recorded in the records of the Centre. Therefore, we were not able to determine whether any adjustments might be necessary to donations, amortization of deferred contributions and excess of revenues over expenditures reported in the statement of revenues and expenses for the year ended December 31, 2015, and deferred contributions and net assets reported in the statement of financial position as at that date.



Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, these financial statements present fairly, in all material respects, the financial position of the Centre as at December 31, 2015, and its results of operations and its cash flows for the year then ended in accordance with accounting standards for not-for-profit organizations generally accepted in Bermuda and Canada.

KPMG Audit Limited

Chartered Professional Accountants
Hamilton, Bermuda
March 17, 2016

BERMUDA CANCER AND HEALTH CENTRE


Statement of Financial Position

As at December 31, 2015
(Expressed in Bermuda Dollars)

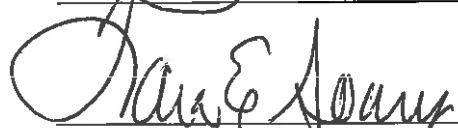
	<u>2015</u>	<u>2014</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 3,074,262	\$ 2,331,628
Accounts receivable	385,669	251,328
Prepaid expenses	109,047	208,858
Inventories (Note 2(d))	<u>109,569</u>	<u>115,795</u>
Total current assets	3,678,547	2,907,609
Investments (Note 3)	139,611	141,681
Term deposits (Note 3)	500,000	900,000
Capital assets (Note 4)	<u>3,565,885</u>	<u>3,868,084</u>
Total assets	<u>\$ 7,884,043</u>	<u>\$ 7,817,374</u>
Liabilities and net assets		
Current liabilities		
Accounts payable and accrued liabilities (Notes 9 and 13)	\$ <u>293,936</u>	\$ <u>312,221</u>
Total current liabilities	293,936	312,221
Deferred contributions (Note 5)	<u>3,817,278</u>	<u>3,718,364</u>
Total liabilities	<u>4,111,214</u>	<u>4,030,585</u>
Net assets		
Unrestricted net assets	777,847	2,730,904
Restricted net assets (Note 6)	<u>2,994,982</u>	<u>1,055,885</u>
Total net assets	<u>3,772,829</u>	<u>3,786,789</u>
Total liabilities and net assets	<u>\$ 7,884,043</u>	<u>\$ 7,817,374</u>

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, 2015

(Expressed in Bermuda Dollars)

	<u>2015</u>	<u>2014</u>
Revenues		
Mammography services	\$ 1,573,680	\$ 1,446,407
Densitometry services	656,857	689,763
Amortization of deferred contributions (Note 5)	440,695	442,335
Donations	374,079	448,683
Ultrasound services	317,126	386,702
Donations for uninsured and underinsured patients	120,244	157,110
Biopsy service - breast	108,012	109,581
Prescription sales	61,576	66,761
Interest income	19,155	39,448
Rent and other income	9,180	16,924
Dividends from investments	4,112	5,579
Biopsy service – prostate	<u>2,260</u>	<u>4,590</u>
 Total revenues	 <u>3,686,976</u>	 <u>3,813,883</u>
 Expenditures		
General and administrative (Note 7)	2,912,461	2,716,272
Mammography services	220,548	236,695
Radiotherapy expenses	158,341	—
Fundraising and education	144,310	231,642
Donation to uninsured patients (Note 8)	97,837	86,232
Prescription purchases (Note 2 (d))	59,394	62,305
Densitometry services	31,010	32,280
Subsidy for underinsured patients (Note 8)	30,911	59,417
Ultrasound services	25,549	30,010
Biopsy expenses - breast	16,863	28,465
Net change in fair value of investments (Note 3)	2,070	3,841
Biopsy expenses – prostate	<u>1,642</u>	<u>1,748</u>
 Total expenditures	 <u>3,700,936</u>	 <u>3,488,907</u>
 (Deficit) excess of revenues over expenditures	 <u>\$ (13,960)</u>	 <u>\$ 324,976</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, 2015

(Expressed in Bermuda Dollars)

	Restricted net assets (Note 6)							2014 Total
	Radiation Therapy	Scholarship	Cancer Information Services	Under/ uninsured	Men's Health	Total	Unrestricted net assets	
Balance beginning of year	\$ -	\$ 530,856	\$ 297,488	\$ 36,595	\$ 190,946	\$ 1,055,885	\$ 2,730,904	\$ 3,786,789
(Deficit) excess of revenues over expenses	1,823,128	10,617	(10,458)	109,594	6,216	1,939,097	(1,953,057)	(13,960)
Balance at end of year	\$ 1,823,128	\$ 541,473	\$ 287,030	\$ 146,189	\$ 197,162	\$ 2,994,982	\$ 777,847	\$ 3,772,829
								\$ 3,786,789
								\$ 3,461,813
								324,976

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, 2015
(Expressed in Bermuda Dollars)

	<u>2015</u>	<u>2014</u>
Operating activities		
(Deficit) excess of revenues over expenditures	\$ (13,960)	\$ 324,976
Adjustments for:		
Depreciation of capital assets	551,460	477,972
Amortization of deferred contributions	(440,695)	(442,335)
Net change in fair value of investments	2,070	3,841
Loss on disposal of capital assets	—	740
Changes in non-cash working capital balances:		
Accounts receivable	(134,341)	(10,866)
Prepaid expenses	99,811	(161,951)
Inventories	6,226	(65,352)
Accounts payable and accrued liabilities	<u>(18,285)</u>	<u>(5,145)</u>
Cash provided by operating activities	<u>52,286</u>	<u>121,880</u>
Investing activities		
Redemption of term deposits, net	400,000	400,000
Purchase of capital assets	<u>(249,261)</u>	<u>(120,794)</u>
Cash provided by investing activities	<u>150,739</u>	<u>279,206</u>
Financing activities		
Net cash contributions received for capital campaigns (Note 5)	<u>539,609</u>	<u>443,071</u>
Cash provided by financing activities	<u>539,609</u>	<u>443,071</u>
Net increase in cash and cash equivalents	742,634	844,157
Cash and cash equivalents at beginning of year	<u>2,331,628</u>	<u>1,487,471</u>
Cash and cash equivalents at end of year	<u>\$ 3,074,262</u>	<u>\$ 2,331,628</u>

The accompanying notes are an integral part of these financial statements

BERMUDA CANCER AND HEALTH CENTRE

Notes to Financial Statements

December 31, 2015

1. **General**

The Bermuda Cancer and Health Centre (the "Centre") is a registered charity formed on July 17, 1945 for the 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.

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 and 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.

(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 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 accrual 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 0.50% (2014 - nil% and 0.50%) per annum.

(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 expenses of \$59,394 (2014 - \$62,305). There were no inventories written off during the year (2014 - \$nil) and no provision for obsolete or slow-moving inventories at the reporting date (2014 - \$nil).

BERMUDA CANCER AND HEALTH CENTRE

Notes to Financial Statements

December 31, 2015

2. Significant accounting policies (continued)

(e) Capital assets

Capital assets are recorded at cost less accumulated depreciation. Land is not depreciated. Depreciation 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	5-10 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 estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset.

(f) Donated services

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

(g) Financial instruments

Financial instruments consist of cash and cash equivalents, term deposits, investments, accounts receivable and accounts payable.

Investments quoted in an active market are carried at fair value, 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.

Accounts receivable are measured at amortized cost using the effective interest method, less any adjustment for impairment.

Accounts payable and accrued liabilities are measured at amortized cost using the effective interest method.

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.

BERMUDA CANCER AND HEALTH CENTRE

Notes to Financial Statements

December 31, 2015

3. Investments and term deposits

Investments include marketable securities consisting of:

Number of shares	Securities held	2015		2014	
		Cost	Fair value	Cost	Fair value
23,182	Butterfield Bank	\$ 38,871	\$ 46,132	\$ 38,871	\$ 46,364
4,000	Somers Limited (formerly Bermuda Commercial Bank Ltd.)	21,575	57,000	21,575	57,000
4,509	Ascendant Group Ltd.	70,712	22,545	70,712	24,349
3,492	KeyTech Limited	<u>49,213</u>	<u>13,934</u>	<u>49,213</u>	<u>13,968</u>
		\$ 180,371	\$ 139,611	\$ 180,371	\$ 141,681

As at December 31, 2015, the Centre has \$500,000 (2014 - \$900,000) of its cash in 48 month certificate of deposit with a Bermuda bank with an annual interest rate of 2.5% payable upon maturity.

4. Capital assets

Capital assets consist of:

	2015			2014
	Cost	Accumulated depreciation	Net book value	Net book value
Land	\$ 987,428	\$ —	\$ 987,428	\$ 987,428
Building and building improvements	3,709,986	2,219,562	1,490,424	1,678,454
Medical equipment	2,613,789	1,780,971	832,818	1,083,267
Vehicle	17,630	8,617	9,013	10,776
Office equipment and furniture	754,499	520,392	234,107	105,186
Website development	<u>36,074</u>	<u>23,979</u>	<u>12,095</u>	<u>2,973</u>
	\$ 8,119,406	\$ 4,553,521	\$ 3,565,885	\$ 3,868,084

The cost and accumulated depreciation of capital assets at December 31, 2014 were \$8,058,836 and \$4,190,752, respectively. During the year the Centre disposed of fully depreciated capital assets with a cost of \$188,691 which were no longer in use at nil proceeds.

BERMUDA CANCER AND HEALTH CENTRE

Notes to Financial Statements

December 31, 2015

5. Deferred contributions

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

	<u>2015</u>	<u>2014</u>
Balance, beginning of year	\$ 3,718,364	\$ 3,717,628
Net amount received during the current year	539,609	443,071
Amounts amortized to revenue in the year	<u>(440,695)</u>	<u>(442,335)</u>
Balance, end of period	<u>\$ 3,817,278</u>	<u>\$ 3,718,364</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.

6. Restricted net assets

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

7. General and administrative expenditures

	<u>2015</u>	<u>2014</u>
Salaries and related costs (Note 9)	\$ 1,521,842	\$ 1,746,397
Depreciation of capital assets	551,460	477,972
Radiologist support and outsourced costs	422,699	98,006
Professional fees	97,961	93,805
Building operation and maintenance	95,252	87,682
Insurance	61,546	61,804
Telephone and postage	47,042	37,302
Membership and licence fees	31,982	17,947
Office supplies	25,379	27,923
Electricity and water	22,043	27,467
Bank charges	13,910	17,626
Office equipment maintenance	12,169	11,481
Miscellaneous	6,049	8,493
System implementation expenses	2,727	1,627
Annual charity fee	400	-
Loss on disposal of capital assets	<u>-</u>	<u>740</u>
	<u>\$ 2,912,461</u>	<u>\$ 2,716,272</u>

BERMUDA CANCER AND HEALTH CENTRE

Notes to Financial Statements

December 31, 2015

8. **Donation to uninsured patients and subsidy for underinsured patients**

The donation to uninsured patients of \$97,837 (2014 - \$86,232) represents services donated by the Centre for patients without insurance. The subsidy for underinsured patients of \$30,911 (2014 - \$59,417) represents services not covered by other agencies.

9. **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 \$61,973 (2014 - \$64,868) and is included in general and administrative expenditures under salaries and related costs (Note 7). The pension liability as at December 31, 2015 amounted to \$nil (2014 - \$2,438 and is included in accounts payable and accrued liabilities in the statement of financial position.

10. **Financial instruments**

The estimated fair values of financial instruments, including 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 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.

The Centre is not exposed to any significant interest rate risk, credit risk or liquidity 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.

The Centre holds cash and cash equivalents and term deposits with three Bermuda-based financial institutions which have credit ratings of BBB to A+. Management believes that the Centre is not exposed to any significant concentration of credit risk. The Centre monitors its accounts receivable balances and believes that no provision for impairment of accounts receivable (2014 - \$nil) is required.

11. **Related party transactions**

During the normal course of its operations, the Centre purchased employee health benefits and property contents and directors and others liability insurance of \$153,071 (2014 - \$158,986) and \$33,951 (2014 - \$35,045) respectively, from BF&M Ltd. where a Board member of the Centre is the Senior Vice President. In addition, the Centre has a defined contribution pension plan (Note 9) administered by BF&M Ltd. The Centre also paid expenses related to HR consultancy, immigration processing, accounting services and staff professional development training of \$43,152 (2014 - \$41,300) to Expertise Limited, where one of the partners is the spouse of a Board member of the Centre.

BERMUDA CANCER AND HEALTH CENTRE

Notes to Financial Statements

December 31, 2015

12. 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.

13. Government remittances payable

Included in accounts payable and accrued liabilities are government remittances payable of \$24,929 (2014 - \$25,670).

