

BERMUDA CANCER AND HEALTH CENTRE

Financial Statements

(With Independent Auditor's Report Thereon)

For the year ended December 31, 2023

The accompanying report of KPMG Audit Limited ("KPMG") is for the sole and exclusive use of Bermuda Cancer and Health Centre (the "Centre"). No person, other than the Centre, is authorized to rely upon the report of KPMG unless KPMG expressly so authorizes. Furthermore, the report of KPMG is as of April 10, 2024, and KPMG has carried out no procedures of any nature subsequent to that date which in any way extends that date.



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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, 2023, 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 the *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, 2023, 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 ("ASNFPPO").

Basis for qualified opinion

The Centre derives the following revenues from the general public in the form of donations, which are included as \$475,095 (2022 - \$193,521) of donations and \$888,637 (2022 - \$937,109) of donations for uninsured and underinsured patients which are included in the statement of revenues and expenditures, the completeness of which is not susceptible to satisfactory audit verification. We were unable to obtain sufficient appropriate audit evidence over the completeness of these donations. Accordingly, our verification of these revenues, donations receivable and deferred contributions was limited to the amounts recorded by the Centre, and we were not able to determine whether any adjustments might be necessary to revenues and excess of revenues over expenditures reported in the statement of revenues and expenditures, changes in net assets and cash flows for the years ended December 31, 2023 and 2022, and donations receivable, deferred contributions, cash and cash equivalents and net assets reported in the statement of financial position as at December 31, 2023 and 2022.

Our opinion on the financial statements for the year ended December 31, 2022 was qualified accordingly because of the possible effects of this limitation in scope.

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 International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code") together 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 and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified 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 ASNFPPO, 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 Company'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 10, 2024

BERMUDA CANCER AND HEALTH CENTRE

Statement of Financial Position

As at December 31, 2023
(Expressed in Bermuda Dollars)

	<u>2023</u>	<u>2022</u>
Assets		
Current assets		
Cash and cash equivalents (Note 2(c))	\$ 6,293,496	\$ 4,564,427
Internally restricted cash and cash equivalents (Note 2(c))	1,300,000	2,000,000
Internally restricted term deposits (Note 4)	4,408,857	2,921,726
Accounts receivable	1,179,837	1,716,759
Prepaid expenses	313,843	407,467
Inventories (Note 2(d))	<u>14,321</u>	<u>11,894</u>
Total current assets	13,510,354	11,622,273
Investments (Note 3)	146,818	172,669
Term deposits (Note 4)	608,857	570,654
Internally restricted term deposits (Note 4)	1,391,143	178,274
Capital assets (Note 5)	<u>7,272,319</u>	<u>8,166,480</u>
Total assets	\$ <u>22,929,491</u>	\$ <u>20,710,350</u>
Liabilities and net assets		
Current liabilities		
Accounts payable and accrued liabilities (Notes 10 and 14)	\$ <u>1,053,344</u>	\$ <u>1,045,850</u>
Total current liabilities	1,053,344	1,045,850
Deferred contributions (Note 6)	<u>1,823,290</u>	<u>2,577,558</u>
Total liabilities	2,876,634	3,623,408
Net assets		
Unrestricted net assets	19,690,338	16,701,760
Restricted net assets (Note 7)	<u>362,519</u>	<u>385,182</u>
Total net assets	20,052,857	17,086,942
Total liabilities and net assets	\$ <u>22,929,491</u>	\$ <u>20,710,350</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, 2023
(Expressed in Bermuda Dollars)

	<u>2023</u>	<u>2022</u>
Revenues		
Radiation therapy services	\$ 9,893,536	\$ 8,937,028
Mammography services	3,290,132	2,983,991
Donations for uninsured and underinsured patients	888,637	937,109
Amortization of deferred contributions (Note 6)	782,849	807,591
Ultrasound services	576,863	416,304
Donations	475,095	193,521
Densitometry services	418,605	473,180
Genetics programme	211,840	156,720
Biopsy service – breast	155,206	143,556
Interest income	120,818	37,686
Realized gain on sale of investments	-	62,425
Biopsy service – prostate	-	11,791
Dividends from investments	4,080	7,276
Net change in fair value of investments (Note 3)	<u>23,362</u>	<u>-</u>
 Total revenues	 <u>16,841,023</u>	 <u>15,168,178</u>
 Expenditures		
General and administrative (Note 8)	9,042,634	7,595,575
Radiation therapy expenses	2,173,864	2,256,059
Subsidy for underinsured patients (Note 9)	1,511,505	1,723,541
Mammography expenses	343,691	293,175
Donation to uninsured patients (Note 9)	337,863	374,712
Fundraising and education expenses	206,043	234,429
Genetics program expenses	82,289	59,134
Biopsy expenses – breast	78,520	73,179
Ultrasound expenses	38,949	38,453
Realized loss on sale of investments (Note 3)	33,499	-
Densitometry expenses	26,251	31,351
Biopsy expenses – prostate	-	1,411
Net change in fair value of investments (Note 3)	<u>-</u>	<u>52,679</u>
 Total expenditures	 <u>13,875,108</u>	 <u>12,733,698</u>
 Excess of revenues over expenditures	 <u>\$ 2,965,915</u>	 <u>\$ 2,434,480</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, 2023
 (Expressed in Bermuda Dollars)

	Restricted net assets (Note 7)							Unrestricted net assets	2023 Total	2022 Total
	Capacity Building	Electric Van	Scholarship	Cancer Information Services	National Cancer Control Plan	Men's Health	Total			
Balance beginning of year	\$ 2,500	\$ 664	\$ 57,934	\$ 262,313	\$ -	\$ 61,771	\$ 385,182	\$ 16,701,760	\$ 17,086,942	\$ 14,652,462
Excess (deficit) of revenues over expenses	-	-	336	-	89	(23,088)	(22,663)	2,988,578	2,965,915	2,434,480
Balance at end of year	\$ 2,500	\$ 664	\$ 58,270	\$ 262,313	\$ 89	\$ 38,683	\$ 362,519	\$ 19,690,338	\$ 20,052,857	\$ 17,086,942

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, 2023
(Expressed in Bermuda Dollars)

	<u>2023</u>	<u>2022</u>
Operating activities		
Excess of revenues over expenditures	\$ 2,965,915	\$ 2,434,480
Adjustments for:		
Amortization of capital assets (Note 5 and 8)	1,176,096	1,116,433
Amortization of deferred contributions (Note 6)	(782,849)	(807,591)
Realized loss (gain) on sale of investments	33,499	(62,425)
Net change in fair value of investments	(23,362)	52,679
Changes in non-cash working capital balances:		
Accounts receivable	536,922	283,176
Donations receivable	-	6,000
Prepaid expenses	93,624	(36,773)
Inventories	(2,427)	10
Accounts payable and accrued liabilities	<u>7,494</u>	<u>196,459</u>
Cash provided by operating activities	<u>4,004,912</u>	<u>3,182,448</u>
Investing activities		
Investment in term deposits	(5,659,929)	(2,758,638)
Purchase of capital assets, net (Note 5)	(281,935)	(843,298)
Proceeds on sale of investments	15,714	-
Proceeds on maturity of term deposits	<u>2,921,726</u>	<u>1,712,903</u>
Cash used in investing activities	<u>(3,004,424)</u>	<u>(1,889,033)</u>
Financing activities		
Net cash contributions received (used) for capital campaigns (Note 6)	<u>28,581</u>	<u>(203,904)</u>
Cash provided by (used in) financing activities	<u>28,581</u>	<u>(203,904)</u>
Net increase in cash and cash equivalents	1,029,069	1,089,511
Change in internally restricted cash and cash equivalents (Note 2(c))	700,000	(2,000,000)
Cash and cash equivalents at beginning of year	<u>4,564,427</u>	<u>5,474,916</u>
Cash and cash equivalents at end of year	<u>\$ 6,293,496</u>	<u>\$ 4,564,427</u>

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

BERMUDA CANCER AND HEALTH CENTRE

Notes to Financial Statements

December 31, 2023

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, 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.

Revenue from services is 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 an 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. The interest rate earned on cash and cash equivalents is 0.01% (2022 – 0.01%) per annum.

In November 2023, the Board of Directors approved up to \$2 million of cash not already held in term deposits to be internally restricted for the purposes of purchasing or replacement of assets, subject to year-end performance results. In December 2023, \$700,000 of the \$2 million was invested in a term deposit.

BERMUDA CANCER AND HEALTH CENTRE

Notes to Financial Statements

December 31, 2023

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. In 2023 and 2022, no inventories were written off and no provision was recognized for obsolete or slow-moving inventories.

(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
Vehicle	10 years
Medical equipment	5-10 years
Furniture and fixtures	5-15 years
Website development	5 years
Office equipment	3 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. The 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.

(f) Donated services

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

BERMUDA CANCER AND HEALTH CENTRE

Notes to Financial Statements

December 31, 2023

2. Significant accounting policies (continued)

(g) Financial instruments

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

Investments include marketable securities consisting of:

Number of shares	Securities held	2023		2022	
		Cost	Fair value	Cost	Fair value
2,318	Butterfield Bank	\$ 38,871	\$ 62,818	\$ 38,871	\$ 73,828
	Somers Loan Note ^(a)	84,000	84,000	84,000	84,000
3,492	KeyTech Limited ^(b)	-	-	49,213	14,841
		\$ 122,871	\$ 146,818	\$ 172,084	\$ 172,669

(a) On July 26, 2022, following the completion of a merger of SNB Investments Limited and Somers Limited ("Somers"), consideration of US\$21 for each of the 4,000 Somers shares held by the Centre was received in the form of a redeemable two-year US\$84,000 Somers Loan Note. The daily accrued 6% semi-annual interest payments are made on January 26 and July 26 until maturity of the Loan Note on July 26, 2024.

(b) In March 2022, the Centre accepted a share repurchase offer for KeyTech Limited (now One Communications Ltd.) shares at \$4.25 per share. Shares were delisted in February 2021 at a cancellation price of \$3.95 per share. The offer was subsequently revised and shares were sold at \$4.50 per share on April 13, 2023.

(c)

BERMUDA CANCER AND HEALTH CENTRE

Notes to Financial Statements

December 31, 2023

4. Term deposits

Term deposits held by the Centre at December 31, 2023, consist of the following:

Bank	2023				2022
	Annual rate	Term	Maturity	Amount	Amount
Clarien Bank Limited	1.40%	1 year	09-Oct 2023	\$ -	\$ 1,007,895
Clarien Bank Limited	3.50%	1 year	09-Oct 2024	1,022,183	-
Clarien Bank Limited	3.00%	3 year	21-Apr 2026	1,000,000	-
Bermuda Commercial Bank	0.80%	18 months	06-Apr 2023	-	600,000
Bermuda Commercial Bank	1.00%	2 year	11-Dec 2023	-	312,016
Bermuda Commercial Bank	2.00%	2 year	21-Jun 2024	312,896	312,896
Bermuda Commercial Bank	3.50%	1 year	28-Jun-2024	607,193	-
Bermuda Commercial Bank	3.00%	2 year	10-Dec 2024	436,033	436,033
Bermuda Commercial Bank	4.25%	1 year	11-Dec-2024	1,018,265	-
Bermuda Commercial Bank	3.25%	2 year	25-Aug-2025	1,000,000	-
HSBC	2.161%	6 months	04-Apr 2023	-	826,543
HSBC	1.768%	6 months	04-Apr 2023	-	175,271
HSBC	2.732%	1 year	05-Apr 2024	835,449	-
HSBC	2.277%	1 year	05-Apr 2024	176,838	-
Term deposits, end of period				\$ 6,408,857	\$ 3,670,654

\$5,800,000 (2022 - \$3,100,000) of the total \$6,408,857 (2022 - \$3,670,654) in term deposits represents funds internally restricted by Unanimous Written Resolutions of the Board of Directors. The restrictions are as follows: (i) \$500,000 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; (ii) \$5,300,000 approved for purchasing or replacement of assets. Interest earned on term deposits ranges between 2.00% and 4.25% (2022 - 0.80% and 3.0%) per annum.

5. Capital assets

Capital assets consist of:

	2023			2022
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 987,428	\$ -	\$ 987,428	\$ 987,428
Building and building improvements	9,056,057	5,525,772	3,530,285	3,996,037
Medical equipment	6,420,244	4,121,140	2,299,104	2,768,151
Vehicle	56,715	-	56,715	26,335
Office equipment and furniture	1,425,243	1,026,456	398,787	385,767
Website development	40,690	40,690	-	2,762
	\$ 17,986,377	\$ 10,714,058	\$ 7,272,319	\$ 8,166,480

The cost and accumulated amortization of capital assets at December 31, 2022 were \$18,845,985 and \$10,679,505, respectively. During the year, the Centre removed fully depreciated capital assets with a cost of \$1,141,541 which were no longer in use with nil proceeds.

BERMUDA CANCER AND HEALTH CENTRE

Notes to Financial Statements

December 31, 2023

6. Deferred contributions

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

	<u>2023</u>	<u>2022</u>
Balance, beginning of year	\$ 2,577,558	\$ 3,589,053
Net cash contributions received (used)	28,581	(203,904)
Amounts amortized to revenue in the year	<u>(782,849)</u>	<u>(807,591)</u>
Balance, end of year	\$ 1,823,290	\$ 2,577,558

In 2000, the Centre launched a building campaign to raise \$4 million for a new Cancer Resource Centre which was completed in 2003.

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. The balance is amortized to revenue in line with the relevant expenses incurred.

7. Restricted net assets

Restricted net assets represent unspent resources externally restricted for the Scholarship Fund as well as restricted capital campaign funds. The externally restricted funds include the Cancer Information Services ("CIS"), Capacity Building, Electric Vehicle, Scholarship, Men's Health, and National Cancer Control Plan.

8. General and administrative expenditures

	<u>2023</u>	<u>2022</u>
Salaries and related costs (Notes 10 and 14)	\$ 6,009,487	\$ 4,821,590
Amortization of capital assets (Note 5)	1,176,096	1,116,433
Professional fees	677,087	519,616
Radiologist support and outsourced costs	391,472	487,427
Insurance	199,152	182,155
Building operation and maintenance	193,416	146,269
Electricity and water	148,024	146,332
Membership and license fees	77,514	56,750
Bank and FCPT charges	48,438	42,469
Telephone, postage and internet	37,099	53,864
Office supplies	35,830	14,476
Vehicle and transportation	21,014	8,569
Miscellaneous	11,136	(10,900)
Office equipment maintenance	8,540	8,210
Board of Directors' expenses	4,776	1,870
Apartment rental	3,108	-
Annual charity fee	<u>445</u>	<u>445</u>
	\$ 9,042,634	\$ 7,595,575

9. Donation to uninsured patients and subsidy for underinsured patients

The donation to uninsured patients of \$337,863 (2022 - \$374,712) represents services donated by the Centre for patients without insurance. The subsidy for underinsured patients of \$1,511,505 (2022 - \$1,723,541) represents primarily the shortfall in reimbursement from the Government's public health insurance plans for services delivered, 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 \$195,268 (2022 - \$166,633) and is included in general and administrative expenditures under salaries and related costs (Notes 8 and 14). Included in accounts payable and accrued liabilities as at December 31, 2023 is \$11,660 in accrued pension contributions (2022 - \$7,727).

11. Financial instruments

The estimated fair values of financial instruments, including cash and cash equivalents, internally restricted cash and cash equivalents, term deposits and internally restricted term deposits, accounts receivable and accounts payable, approximate their carrying values due to their relatively 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.

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. 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 four Bermuda-based banks, which are externally regulated by the Bermuda Monetary Authority. The Centre monitors its accounts receivable balances and recorded provision for impairment of accounts receivable amounting to \$139,510 (2022 - \$248,618). 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 and deposits with Bermuda-based banks.

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Notes to Financial Statements

December 31, 2023

11. Financial instruments (continued)

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. The Centre has no significant exposure to interest rate risk or currency risk.

12. Related party transactions

During the normal course of its operations, the Centre procured \$12,150 (2022 - \$11,475) in legal services from MJM Limited, where a Board member of the Centre is a director.

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.

14. Government remittances payable

Included in accounts payable and accrued liabilities are government remittances payable of \$109,382 (2022 - \$60,874).