

BERMUDA CANCER AND HEALTH CENTRE

Financial Statements
(With Independent Auditor's Report Thereon)

For the year ended December 31, 2018



KPMG Audit Limited
Crown House
4 Par-la-Ville Road
Hamilton HM 08 Bermuda

Mailing Address:
P.O. Box HM 906
Hamilton HM DX Bermuda

Telephone +1 441 295 5063
Fax +1 441 295 9132
Internet www.kpmg.bm

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, 2018, the statements of revenues and expenditures, change 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, 2018, 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 \$1,211,761 (2017 - \$1,461,806) of its revenue from donations which are included in the statement of revenues and expenditures, changes in net assets and cash flows, the completeness of which is not susceptible to satisfactory audit verification. We are unable to obtain sufficient appropriate audit evidence over the completeness of donations revenue. Accordingly, our verification of donations revenue 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 donations revenue 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, 2018 and 2017, and deferred contributions, cash and cash equivalents and net assets reported in the statement of financial position as at December 31, 2018 and 2017.

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

Responsibilities of Management 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
June 6, 2019

BERMUDA CANCER AND HEALTH CENTRE

Statement of Financial Position

As at December 31, 2018
(Expressed in Bermuda Dollars)

	<u>2018</u>	<u>2017</u>
Assets		
Current assets		
Cash and cash equivalents (Notes 2(c))	\$ 1,821,695	\$ 1,917,049
Internally restricted cash and cash equivalents (Notes 2(c) and 16)	1,000,000	-
Term deposits (Note 3)	-	500,000
Donations receivable (Note 6)	150,000	675,000
Accounts receivable (Net of a provision of \$200,000; 2017 - \$560,648)	1,063,315	1,419,853
Prepaid expenses	288,383	113,842
Inventories (Note 2(d))	<u>17,222</u>	<u>23,221</u>
Total current assets	4,340,615	4,648,965
Investments (Note 3)	218,218	194,919
Internally restricted cash and cash equivalents (Notes 2(c) and 16)	500,000	-
Capital assets (Note 4)	<u>10,374,821</u>	<u>11,475,402</u>
Total assets	<u>\$ 15,433,654</u>	<u>\$ 16,319,286</u>
Liabilities and net assets		
Current liabilities		
Bank loan, current (Notes 5 and 16)	\$ 500,000	\$ 500,000
Accounts payable and accrued liabilities (Notes 11 and 15)	<u>1,216,069</u>	<u>1,094,778</u>
Total current liabilities	1,716,069	1,594,778
Bank loan, non-current (Notes 5 and 16)	999,494	2,999,494
Deferred contributions (Note 6)	<u>5,960,907</u>	<u>6,652,257</u>
Total liabilities	<u>8,676,470</u>	<u>11,246,529</u>
Net assets		
Unrestricted net assets	6,224,112	4,414,736
Restricted net assets (Note 7)	<u>533,072</u>	<u>658,021</u>
Total net assets	<u>6,757,184</u>	<u>5,072,757</u>
Total liabilities and net assets	<u>\$ 15,433,654</u>	<u>\$ 16,319,286</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, 2018

(Expressed in Bermuda Dollars)

	<u>2018</u>	<u>2017</u>
Revenues		
Radiation therapy services	\$ 5,753,126	\$ 4,119,033
Mammography services	2,700,819	2,225,447
Amortization of deferred contributions (Note 6)	1,008,263	728,538
Donations for uninsured and underinsured patients	829,329	346,657
Densitometry services	521,923	407,331
Ultrasound services	385,456	304,483
Donations	382,432	1,115,149
Biopsy service – prostate	28,279	20,257
Net change in fair value of investments (Note 3)	23,299	27,516
Biopsy service - breast	14,067	127,350
Interest income	9,277	18,339
Dividends from investments	7,652	6,667
Prescription sales (Note 2(d))	168	3,381
Other income	—	950
	<hr/>	<hr/>
Total revenues	11,664,090	9,451,098
	<hr/>	<hr/>
Expenditures		
General and administrative (Note 8)	5,555,387	4,703,708
Radiation therapy expenses (Note 9)	1,850,690	1,817,526
Subsidy for underinsured patients (Note 10)	1,414,086	425,185
Donation to uninsured patients (Note 10)	448,369	561,033
Mammography expenses	264,720	261,129
Interest expense (Note 5)	203,991	133,674
Fundraising and education	143,919	107,425
Loss on disposal of asset	34,529	37,786
Densitometry expenses	30,017	31,997
Ultrasound expenses	29,754	32,389
Genetics program	2,330	1,029
Biopsy expenses – prostate	1,346	5,821
Biopsy expenses - breast	525	41,036
Prescription purchases (Note 2(d))	—	14,725
	<hr/>	<hr/>
Total expenditures	9,979,663	8,174,463
	<hr/>	<hr/>
Excess of revenues over expenditures	\$ 1,684,427	\$ 1,276,635
	<hr/>	<hr/>

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, 2018
(Expressed in Bermuda Dollars)

	Restricted net assets (Note 7)							2017 Total
	Capacity Building	Scholarship	Cancer Information Services	Under/ uninsured	Men's Health	Total	Unrestricted net assets	
Balance beginning of year	\$ -	\$ 53,348	\$ 264,766	\$ 177,414	\$ 162,493	\$ 658,021	\$ 4,414,736	\$ 3,796,122
Excess (deficit) of revenues over expenses	1,250	1,067	(2,453)	(125,301)	488	(124,949)	1,809,376	1,684,427
Balance at end of year	\$ 1,250	\$ 54,415	\$ 262,313	\$ 52,113	\$ 162,981	\$ 533,072	\$ 6,224,112	\$ 5,072,757

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, 2018
(Expressed in Bermuda Dollars)

	<u>2018</u>	<u>2017</u>
Operating activities		
Excess of revenues over expenditures	\$ 1,684,427	\$ 1,276,635
Adjustments for:		
Amortization of capital assets	1,212,542	1,052,934
Amortization of deferred contributions	(1,008,263)	(728,538)
Bad debt (recovery) expense	(212,777)	560,648
Loss on disposal of assets	34,529	37,786
Net change in fair value of investments	(23,299)	(27,516)
Changes in non-cash working capital balances:		
Accounts receivable	700,499	(1,752,715)
Donations receivable	525,000	167,000
Prepaid expenses	(174,541)	(31,185)
Inventories	5,999	23,052
Accounts payable and accrued liabilities	<u>121,291</u>	<u>478,674</u>
Cash provided by operating activities	<u>2,865,407</u>	<u>1,056,775</u>
Investing activities		
Purchase of capital assets, net	(277,674)	(6,055,072)
Proceeds on maturity of term deposits	<u>500,000</u>	<u>-</u>
Cash provided by (used in) investing activities	<u>222,326</u>	<u>(6,055,072)</u>
Financing activities		
Amount (repaid) received on bank loan, net (Note 5)	(2,000,000)	1,971,653
Net cash contributions received for capital campaigns (Note 6)	<u>316,913</u>	<u>1,709,232</u>
Cash (used in) provided by financing activities	<u>(1,683,087)</u>	<u>3,680,885</u>
Net increase (decrease) in cash and cash equivalents	1,404,646	(1,317,412)
Internally restricted cash and cash equivalents (Note 2(c))	(1,500,000)	-
Cash and cash equivalents at beginning of year	<u>1,917,049</u>	<u>3,234,461</u>
Cash and cash equivalents at end of year	<u>\$ 1,821,695</u>	<u>\$ 1,917,049</u>
Supplementary information:		
Interest paid (Note 5)	<u>\$ 204,544</u>	<u>\$ 199,323</u>

The accompanying notes are an integral part of these financial statements

BERMUDA CANCER AND HEALTH CENTRE

Notes to Financial Statements

December 31, 2018

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 0.5% (2017 - 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 10) or the costs associated with transporting uninsured or underinsured patients to an overseas treatment facility in the event the Center is forced to temporarily cease on-island treatment due to a natural disaster or other cause.

BERMUDA CANCER AND HEALTH CENTRE

Notes to Financial Statements

December 31, 2018

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 \$168 (2017 – expense of \$14,725). There were no inventories written off during the year (2017 - \$7,579) and no provision for obsolete or slow-moving inventories at the reporting date (2017 - \$nil).

(e) Capital assets

Capital assets are recorded at cost less accumulated amortization and impairment losses, if any. Land is not amortized. 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	5-15 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 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.

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 new Radiation Therapy Unit and the purchase of the associated Radiation Therapy equipment (Note 4). Amortization of these assets, are 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, 2018

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	2018		2017	
		Cost	Fair value	Cost	Fair value
2,318	Butterfield Bank	\$ 38,871	\$ 69,540	\$ 38,871	\$ 84,607
4,000	Somers Limited (formerly Bermuda Commercial Bank Ltd.)	21,575	62,000	21,575	57,000
4,509	Ascendant Group Ltd.	70,712	76,202	70,712	42,836
3,492	KeyTech Limited	49,213	10,476	49,213	10,476
		\$ 180,371	\$ 218,218	\$ 180,371	\$ 194,919

As at December 31, 2018, the Centre had \$nil (2017 - \$500,000) of its cash invested in a certificate of deposit with a Bermuda bank with an annual interest rate of 2.5% payable quarterly and a maturity date This deposit matured on April 30, 2018.

BERMUDA CANCER AND HEALTH CENTRE

Notes to Financial Statements

December 31, 2018

4. Capital assets

Capital assets consist of:

	<u>2018</u>			<u>2017</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	-	21,222	-
Building and building improvements	8,494,135	3,167,235	5,326,900	5,703,954
Medical equipment	5,921,811	2,331,549	3,590,262	4,081,151
Vehicle	17,630	13,911	3,719	5,482
Office equipment and furniture	1,615,099	1,191,983	423,116	685,430
Website development	<u>62,075</u>	<u>39,901</u>	<u>22,174</u>	<u>11,957</u>
	<u>\$ 17,119,400</u>	<u>\$ 6,744,579</u>	<u>\$ 10,374,821</u>	<u>\$ 11,475,402</u>

The cost and accumulated amortization of capital assets at December 31, 2017 were \$17,135,738 and \$5,660,336, respectively. During the year the Centre disposed of capital assets with a cost of \$278,713 and a net book value of \$34,529 (2017 - \$37,786) which were no longer in use, at \$nil proceeds.

In May 2014, the Centre launched a capital campaign for the construction of a Radiation Therapy Unit. No assets under construction (2017 - \$5,329,158) were capitalized during the year relating to this project. Amortization on these assets under construction commenced in May 2017 when the Radiation Therapy Unit treated its first patients.

5. Bank loan

	<u>2018</u>	<u>2017</u>
Current	\$ 500,000	\$ 500,000
Long-term	<u>999,494</u>	<u>2,999,494</u>
Total	<u>\$ 1,499,494</u>	<u>\$ 3,499,494</u>

The Centre has a \$5,000,000, five year loan facility with Bermuda Commercial Bank (the "Bank"). Interest is 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 \$203,991 (2017 - \$192,156) was recognized during the year, and none of which (2017 - \$58,482) was capitalized as part of assets under construction. An arrangement fee expense for this facility in the amount of \$25,000 was incurred in 2016 and also capitalized (Note 4).

BERMUDA CANCER AND HEALTH CENTRE

Notes to Financial Statements

December 31, 2018

5. **Bank loan (continued)**

The Bank has a fixed and floating charge over the Centre's building.

The Centre is subject to loan covenants imposed by the Bank for which it is fully compliant.

The minimum principal repayments due on the current drawn portion are as follows:

2019	\$	500,000
2020		500,000
2021		<u>499,494</u>
	\$	<u>1,499,494</u>

See Note 16 for an update on the bank loan.

6. **Deferred contributions**

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

	<u>2018</u>	<u>2017</u>
Balance, beginning of year	\$ 6,652,257	\$ 5,671,563
New contributions during the current year, net	166,913	1,034,232
Donations receivable	150,000	675,000
Amounts amortized to revenue in the year	<u>(1,008,263)</u>	<u>(728,538)</u>
Balance, end of period	<u>\$ 5,960,907</u>	<u>\$ 6,652,257</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 \$150,000 (2017 - \$675,000) 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, 2018

8. General and administrative expenditures

	<u>2018</u>	<u>2017</u>
Salaries and related costs (Note 11)	\$ 3,257,883	\$ 2,298,721
Amortization of capital assets (Note 4)	1,212,542	1,052,934
Radiologist support and outsourced costs	543,522	232,506
Professional fees	260,374	123,302
Electricity and water	131,242	135,111
Insurance (Note 13)	110,394	82,807
Building operation and maintenance	102,518	74,728
Membership and license fees	60,751	55,732
Telephone and postage	32,092	44,285
Office supplies	23,603	15,227
Bank charges	14,669	12,365
Office equipment maintenance	9,232	8,006
Miscellaneous	8,897	6,916
Annual charity fee	445	420
Bad debt (recovery) expense	<u>(212,777)</u>	<u>560,648</u>
	<u>\$ 5,555,387</u>	<u>\$ 4,703,708</u>

9. Radiation therapy expenses

Radiation therapy expenses totaling \$1,850,690 (2017 - \$1,817,526) includes operational expenses for treatment services of \$1,850,690 (2017 - \$909,066) and pre-opening expenses not capitalized of \$nil (2017 - \$908,460).

10. Donation to uninsured patients and subsidy for underinsured patients

The donation to uninsured patients of \$448,369 (2017 - \$561,033) represents services donated by the Centre for patients without insurance. The subsidy for underinsured patients of \$1,414,086 (2017 - \$425,185) 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.

11. 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 \$147,227 (2017 - \$67,540) 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, 2018 is \$22,130 in accounts payable for December contributions (2017 - \$nil) and \$26,689 in accrued pension contributions (2017 - \$6,642).

BERMUDA CANCER AND HEALTH CENTRE

Notes to Financial Statements

December 31, 2018

12. 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.

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 arises mainly in respect of the bank loan payable. 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, 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 \$200,000 (2017 - \$560,648). 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 interest rate risk through the bank loan payable which bears interest at a variable rate. The Centre has no significant exposure to currency risk.

13. Related party transactions

During the normal course of its operations, the Centre purchased employee health benefits of \$273,212 (2017 - \$207,199) and property contents, vehicles, medical malpractice, and directors and officers liability insurance totaling \$111,427 (2017 - \$84,723), 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 11) administered by BF&M Ltd.

BERMUDA CANCER AND HEALTH CENTRE

Notes to Financial Statements

December 31, 2018

14. 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.

15. Government remittances payable

Included in accounts payable and accrued liabilities are government remittances payable of \$45,085 (2017 - \$38,721).

16. Subsequent events

Subsequent to the year-end, in March 2019, the Centre paid off all amounts outstanding on the bank loan.

