

# BERMUDA HOUSING TRUST

Financial Statements

March 31, 2023



BERMUDA HOUSING TRUST

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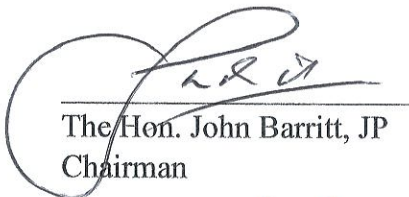
### Management's Responsibility for the Financial Statements

These financial statements have been prepared by management, who are responsible for the reliability, integrity and objectivity of the information provided. The preparation of financial statements necessarily involves using management's best estimates and judgments, where appropriate.

Management is responsible for maintaining a comprehensive system of accounting records, internal controls, policies and management practices, designed to provide reasonable assurance that transactions are properly authorized and in compliance with legislation, assets are safeguarded, and reliable financial information is available on a timely basis.

The Board of Trustees is charged with the governance of the Bermuda Housing Trust and is responsible for ensuring that management fulfills its responsibility for financial reporting and internal controls. An Executive Committee meets periodically with management to discuss matters relating to financial reporting, internal control and audits. The Executive Committee reviews the financial statements before recommending approval by the Board of Trustees. The financial statements have been approved by the Board of Trustees and have been examined by the Office of the Auditor General.

The accompanying Independent Auditor's Report is presented herein.



The Hon. John Barritt, JP  
Chairman

(DATE 7/12/23)



Mr. Marco Bortoli, CPA, CA  
Treasurer



## ***Office of the Auditor General***

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### **INDEPENDENT AUDITOR'S REPORT**

To the Board of Trustees of the Bermuda Housing Trust

#### **Opinion**

I have audited the financial statements of the Bermuda Housing Trust, which comprise the statement of financial position as at March 31, 2023, and the statements of operations and accumulated surplus, remeasurement gains and losses, change in net debt and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bermuda Housing Trust as at March 31, 2023, and the results of its operations, changes in its net debt and its cash flows for the year then ended in accordance with public sector accounting standards generally accepted in Bermuda and Canada.

#### **Basis for Opinion**

I conducted my audit in accordance with auditing standards generally accepted in Bermuda and Canada. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Bermuda Housing Trust with the ethical requirements that are relevant to my audit of the financial statements in Bermuda, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my 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 public sector accounting standards 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.

In preparing the financial statements, management is responsible for assessing the Bermuda Housing Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bermuda Housing Trust or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bermuda Housing Trust's financial reporting process.

## Auditor's Responsibilities for the Audit of the Financial Statements

My 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 my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Bermuda and Canada will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with auditing standards generally accepted in Bermuda and Canada, I exercise professional judgment and maintain professional skepticism throughout the audit. I 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 my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than from 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 Bermuda Housing Trust's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going-concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bermuda Housing Trust's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Bermuda Housing Trust to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements (including the disclosures), and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I 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 I identify during the audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, related safeguards.

A further description of the auditor's responsibilities for the audit of the financial statements is located at the Office of the Auditor General website at: [www.oagbermuda.bm](http://www.oagbermuda.bm). This description forms part of our auditor's report.

Hamilton, Bermuda  
December 7, 2023



Heather Thomas, CPA, CFE, CGMA  
Auditor General

**BERMUDA HOUSING TRUST**  
**STATEMENT OF FINANCIAL POSITION**  
As at March 31, 2023

	2023 \$	2022 \$
<b>FINANCIAL ASSETS</b>		
Cash and cash equivalents (Note 3)	1,870,778	1,961,980
Accounts receivable, net (Note 4)	12,252	8,997
Portfolio investments (Note 5)	<u>738,403</u>	<u>835,421</u>
	<u>2,621,433</u>	<u>2,806,398</u>
 <b>LIABILITIES</b>		
Accounts payable and accrued liabilities	96,495	89,347
Rental deposits	106,597	108,360
Deferred rental income	16,166	13,024
Long-term debt (Note 7)	<u>3,575,781</u>	<u>3,971,253</u>
	<u>3,795,039</u>	<u>4,181,984</u>
 <b>NET DEBT</b>	<u>(1,173,606)</u>	<u>(1,375,586)</u>
 <b>NON-FINANCIAL ASSETS</b>		
Prepaid expenses	12,189	16,539
Tangible capital assets (Note 6)	<u>12,128,842</u>	<u>12,488,911</u>
	<u>12,141,031</u>	<u>12,505,450</u>
	<u>10,967,425</u>	<u>11,129,864</u>
 <b>ACCUMULATED SURPLUS</b>		
Accumulated surplus is comprised of:		
Accumulated surplus from operations	10,697,337	10,756,796
Accumulated remeasurement gains	<u>270,088</u>	<u>373,068</u>
	<u>10,967,425</u>	<u>11,129,864</u>

The accompanying notes are an integral part of these financial statements

**BERMUDA HOUSING TRUST**  
**STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS**  
For the year ended March 31, 2023

	2023 Budget (Note 13) \$	2023 Actual \$	2022 Actual \$
<b>REVENUES</b>			
Rental income	1,950,000	1,945,350	1,973,000
Investment income	15,000	23,561	18,258
Interest income	15,000	7,139	11,855
Contributions (Note 14)	40,000	6,000	34,186
Other	10,000	-	6,290
Realized gain on sale of portfolio investments	-	-	2,138
	<u>2,030,000</u>	<u>1,982,050</u>	<u>2,045,727</u>
<b>EXPENSES (Note 10)</b>			
Amortization of tangible capital assets (Note 6)	700,000	807,732	796,300
Dr. Cann Park	1,293,000	320,303	356,562
Interest	250,000	188,757	199,213
Professional services	95,000	156,573	93,570
Elizabeth Hills	155,000	153,027	121,027
General administration	250,000	131,551	127,483
Ferguson Park	188,500	100,672	101,108
Purvis Park	139,000	100,505	62,330
Heydon Park	121,500	82,389	78,134
	<u>3,192,000</u>	<u>2,041,509</u>	<u>1,935,727</u>
<b>ANNUAL (DEFICIT) SURPLUS</b>	<u>(1,162,000)</u>	<u>(59,459)</u>	<u>110,000</u>
<b>ACCUMULATED SURPLUS FROM OPERATIONS,</b>			
<b>BEGINNING OF YEAR</b>		<u>10,756,796</u>	<u>10,646,796</u>
<b>ACCUMULATED SURPLUS FROM OPERATIONS,</b>			
<b>END OF YEAR</b>		<u>10,697,337</u>	<u>10,756,796</u>

The accompanying notes are an integral part of these financial statements

**BERMUDA HOUSING TRUST**  
**STATEMENT OF REMEASUREMENT GAINS AND LOSSES**  
For the year ended March 31, 2023

	2023	2022
	\$	\$
ACCUMULATED REMEASUREMENT GAINS, BEGINNING OF YEAR	<u>373,068</u>	<u>388,800</u>
Unrealized gains (losses) attributable to:		
Portfolio investments	(102,980)	(13,594)
Amounts reclassified to the statement of operations and accumulated surplus:		
Portfolio investments	-	(2,138)
	<u>          </u>	<u>          </u>
Net remeasurement losses for the year	<u>(102,980)</u>	<u>(15,732)</u>
ACCUMULATED REMEASUREMENT GAINS, END OF YEAR	<u>270,088</u>	<u>373,068</u>

The accompanying notes are an integral part of these financial statements

**BERMUDA HOUSING TRUST**  
**STATEMENT OF CHANGE IN NET DEBT**  
For the year ended March 31, 2023

	2023	2022
	\$	\$
NET DEBT, BEGINNING OF YEAR	<u>(1,375,586)</u>	<u>(1,956,764)</u>
Annual (deficit) surplus	(59,459)	110,000
Acquisition of tangible capital assets (Note 6)	(447,663)	(307,298)
Amortization of tangible capital assets (Note 6)	807,732	796,300
Addition to prepaid expenses	(12,189)	(16,569)
Use of prepaid expenses	16,539	14,477
Net remeasurement losses	<u>(102,980)</u>	<u>(15,732)</u>
Change in net debt during the year	<u>201,980</u>	<u>581,178</u>
NET DEBT, END OF YEAR	<u>(1,173,606)</u>	<u>(1,375,586)</u>

The accompanying notes are an integral part of these financial statements



**BERMUDA HOUSING TRUST**  
**STATEMENT OF CASH FLOWS**  
For the year ended March 31, 2023

	2023	2022
	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Annual (deficit) surplus	(59,459)	110,000
Adjustment for items not affecting cash:		
Amortization of tangible capital assets	807,732	796,300
Realized gain on sale of portfolio investments	-	(2,138)
	<u>748,273</u>	<u>904,162</u>
Changes in non-cash working capital:		
(Increase) decrease in accounts receivable	(3,255)	393
Decrease (increase) in prepaid expenses	4,350	(2,092)
Increase (decrease) in accounts payable and accrued liabilities	7,148	(102,613)
Decrease in rental deposits	(1,763)	(1,662)
Increase in deferred rental income	3,142	3,462
	<u>757,895</u>	<u>801,650</u>
Cash flows generated from operating activities		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Addition to portfolio investments	(5,962)	(11,815)
Proceeds from sale of portfolio investments	-	11,158
	<u>(5,962)</u>	<u>(657)</u>
Cash flows used in investing activities		
<b>CASH FLOWS USED IN CAPITAL ACTIVITIES</b>		
Purchase of tangible capital assets	(447,663)	(307,298)
Cash flows used in capital activities	<u>(447,663)</u>	<u>(307,298)</u>
<b>CASH FLOWS USED IN FINANCING ACTIVITIES</b>		
Repayments of long-term debt (Note 7)	(395,472)	(630,523)
Cash flows used in financing activities	<u>(395,472)</u>	<u>(630,523)</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(91,202)	(136,828)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>1,961,980</u>	<u>2,098,808</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	1,870,778	1,961,980
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Unrestricted cash	733,463	625,862
Restricted cash	1,137,315	1,336,118
Total cash and cash equivalents	<u>1,870,778</u>	<u>1,961,980</u>
Interest paid	187,268	199,213

The accompanying notes are an integral part of these financial statements

**BERMUDA HOUSING TRUST**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2023**

**1. AUTHORITY AND NATURE OF OPERATIONS**

The Bermuda Housing Trust (the “Trust”) was constituted in its present form by an Act of Parliament on August 3, 1965. The function of the Trust is to initiate and administer programs for the relief of poverty, suffering and misfortune among elderly persons in Bermuda by providing accommodation for such persons on favourable terms.

**2. SIGNIFICANT ACCOUNTING POLICIES**

Pursuant to standards established by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants Canada, the Trust is classified as a government not-for-profit organization. These financial statements have been prepared in accordance with public sector accounting standards generally accepted in Bermuda and Canada. The accounting policies considered significant are:

**(a) Revenue recognition**

Rental income is recognized on an accrual basis. Deferred rental income is classified as a liability on the statement of financial position until it is recognized as earned income during the accounting period to which it relates.

Dividends received on investment are recognized when the shareholder’s right to receive payment has been established.

Interest is recognized as it accrues daily, by reference to the principal outstanding and at the effective yield on the asset.

**(b) Donations**

All donations are accounted for as revenue when received. The Trust records the value of donated goods and services at fair value when the fair value can be reasonably estimated, and the goods and services used in the normal course of operations would otherwise have been purchased or incurred.

Trustees of the Trust contribute a significant number of hours and services each year assisting the Trust in carrying out its programs. Similarly, the Bermuda Housing Corporation and the Department of Works and Engineering provide architectural and engineering services respectively at no charge to the Trust. Where monetary value can be reasonably ascertained, those donations-in-kind are recorded at fair value. Where monetary value cannot be reasonably ascertained, those donations-in-kind have not been recognized.

**BERMUDA HOUSING TRUST**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2023**

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(c) Cash and cash equivalents

Cash and cash equivalents, other than restricted cash, include all cash on deposit with financial institutions that can be withdrawn without prior notice or penalty, and term deposits with an original maturity of 90 days or less.

The restricted cash includes cash with a local bank that can only be used for debt financing and to build up cash reserves for the maintenance sinking fund (note 7).

(d) Accounts receivable

Accounts receivable are recognized at their carrying values, less any allowance for doubtful accounts. Interest is not accrued on overdue accounts receivable.

Bad debts, if any, are charged against the allowance for doubtful accounts.

(e) Allowance for doubtful accounts

The Trust provides allowance for doubtful accounts when there is evidence that the Trust will not be able to collect all amounts due according to the original terms of receivables. The amount of provision is equal to the estimated collection losses based on past collection experience and management's review of the current status of the long outstanding receivables.

(f) Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current period and are not intended for sale in the normal course of operations.

(g) Tangible capital assets and amortization

Tangible capital assets are initially measured at cost or fair market value. The cost of an asset consists of its purchase price and costs directly attributable to making the asset ready for its intended use.

Subsequent costs incurred after the assets have been put into operation, such as repairs and maintenance and overhaul costs are charged to expenses in the period incurred. However, costs that result in an increase in the future economic benefit in excess of the originally assessed standard of performance of the existing asset are capitalized as an additional cost of the tangible capital asset. When assets are sold or retired, their cost and accumulated amortization are eliminated from the accounts and any resulting gain or loss is included in the statement of operations and accumulated surplus.

Leasehold improvements are amortized over the terms of the lease or the estimated useful life of the improvements, whichever is shorter.

**BERMUDA HOUSING TRUST**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2023**

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(g) Tangible capital assets and amortization (cont'd)

Amortization is computed using the straight-line method over the estimated useful lives of the tangible capital assets as follow:

Buildings	-	40 years
Furniture and fixtures	-	10 years
Office furniture	-	10 years
Office equipment	-	5 years
Unit refurbishment		3 years
Computer equipment	-	3 years
Computer software	-	3 years
Leasehold improvements	-	lease term

(h) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in the statement of operations and accumulated surplus in the period in which they are incurred.

(i) Measurement uncertainty

These financial statements are prepared in accordance with public sector accounting standards generally accepted in Bermuda and Canada. These standards require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Significant areas requiring the use of estimates include the provision of doubtful accounts and estimated useful lives of tangible capital assets. Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Actual results could differ from these estimates.

(j) Financial instruments

The Trust's financial instruments consist of cash and cash equivalents, accounts receivable, portfolio investments, accounts payable and accrued liabilities, rental deposits and long-term debt. It is management's opinion that the Trust is not exposed to significant interest rate, currency and credit risks arising from these financial instruments.

The following methods and assumptions were used by the Trust in estimating fair value amounts recognized for financial instruments:

**BERMUDA HOUSING TRUST**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2023**

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(j) Financial instruments (cont'd)

Cash and cash equivalents:

The carrying amounts reported in the statement of financial position for these financial instruments equal to their fair value due to their relative short-term nature.

Portfolio investments:

The fair value of these financial instruments is estimated using bid prices quoted in active markets. They are initially recognized at cost and subsequently carried at fair value.

The Trust classifies its investments using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 Market-based inputs other than quoted prices that are observable for the asset or liability either directly or indirectly.
- Level 3 Inputs for the asset or liability that are not based on observable market data; assumptions are based on the best internal and external information available and are most suitable and appropriate based on the type of financial instrument being valued in order to establish what the transaction price would have been on the measurement date in an arm's length transaction.

Unrealized gains and losses from changes in fair value of financial instruments are recognized in the statement of remeasurement gains and losses until such time the financial instrument is derecognized due to disposal or impairment. When the financial instrument is derecognized, the cumulative amount of gains and losses is reversed from the statement of remeasurement gains and losses and recognized in the statement of operations and accumulated surplus.

Dividends attributable to financial instruments are reported in the statement of operations and accumulated surplus.

Transaction costs related to financial instruments measured at fair value are expensed as incurred. Transaction costs are added to the carrying value of financial instruments in the cost or amortized cost category when they are initially recognized.

Other assets and liabilities:

Accounts receivable, accounts payable and accrued liabilities, rental deposits and long-term debt are measured at cost or amortized cost.

**BERMUDA HOUSING TRUST**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2023**

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(k) New and Amended Public Sector Accounting Standards

PSAB has issued a number of new public sector accounting standards and amendments to standards that are not yet effective for the year ended March 31, 2023. In particular, the new and amended standards, which become effective for annual periods on or after April 1, 2023 are:

Purchased Intangibles, PSG-8	- Effective date April 1, 2023
Public Private Partnerships, PS 3160	- Effective date April 1, 2023
Revenue, PS 3400	- Effective date April 1, 2023

The Board of Trustees (the "Board") is currently assessing the impact of the new and amended public sector accounting standards on the financial statements of the Trust.

3. CASH AND CASH EQUIVALENTS

	<u>2023</u>	<u>2022</u>
	\$	\$
Term deposits	400,000	785,624
Cash deposits	1,470,778	1,176,356
	<u>1,870,778</u>	<u>1,961,980</u>

Cash and cash equivalents of \$1,137,316 (2022 - \$1,336,118) are subject to an externally imposed restriction by HSBC Bank Bermuda Limited (the "Bank"), giving the Bank a first security position over a deposit account, the loan servicing account, which was created to fund the maintenance sinking fund for Dr. Cann Park and pay the long-term debt (note 7). This account is not available for any other purposes without the approval of the Bank.

4. ACCOUNTS RECEIVABLE

The accounts receivable balance consists of the following:

	<u>2023</u>	<u>2022</u>
	\$	\$
Other receivables	8,780	1,964
Rent receivable	4,447	7,774
Allowance for doubtful accounts	(975)	(741)
	<u>12,252</u>	<u>8,997</u>

**BERMUDA HOUSING TRUST**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2022**

**5. PORTFOLIO INVESTMENTS**

	<b>2023</b>		<b>2022</b>	
	<b>Fair value</b>	<b>Cost</b>	<b>Fair value</b>	<b>Cost</b>
	\$	\$	\$	\$
Mutual funds (16,999 shares; 2022 – 16,833)	226,688	218,716	241,128	217,204
Bank of N.T. Butterfield & Son Limited (10,000 * shares)	277,500	45,123	350,000	45,125
Butterfield Bermuda Fund Limited Series A (6,015 shares; 2022 – 5,924)	234,215	204,477	244,293	200,903
	<u>738,403</u>	<u>468,316</u>	<u>835,421</u>	<u>463,232</u>

The fair value hierarchy of the Trust's portfolio investments as at March 31, 2023 are as follow:

	<b>Level 1</b>	<b>Level 2</b>	<b>Total</b>
	\$	\$	\$
Mutual funds	226,688	-	226,688
Bank of N.T. Butterfield & Son Limited	277,500	-	277,500
Butterfield Bermuda Fund Limited Series A	234,215	-	234,215
	<u>738,403</u>	<u>-</u>	<u>738,403</u>

The fair value hierarchy of the Trust's portfolio investments as at March 31, 2022 are as follows:

	<b>Level 1</b>	<b>Level 2</b>	<b>Total</b>
	\$	\$	\$
Mutual funds	241,128	-	241,128
Bank of N.T. Butterfield & Son Limited	350,000	-	350,000
Butterfield Bermuda Fund Limited Series A	244,293	-	244,293
	<u>835,421</u>	<u>-</u>	<u>835,421</u>

- \* On August 30, 2016, the Bank of N.T. Butterfield & Sons Limited shareholders approved a 10 to 1 reverse stock split with an effective date of September 6, 2016.

**BERMUDA HOUSING TRUST**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2023**

**6. TANGIBLE CAPITAL ASSETS**

<b>2023</b>											
	<b>Elizabeth Hills</b>	<b>Purvis Park</b>	<b>Heydon Park</b>	<b>Ferguson Park</b>	<b>Dr Cann Park</b>	<b>Westcott Cottage</b>	<b>Furniture &amp; Equipment</b>	<b>Computer equipment &amp; software</b>	<b>Office equipment</b>	<b>Leasehold Improvements</b>	<b>Total</b>
Opening cost	1,149,087	950,199	932,348	3,196,187	15,814,195	329,329	41,092	16,786	14,099	41,166	22,484,488
Additions	174,522	38,193	-	29,364	205,584	-	-	-	-	-	447,663
											-
Closing cost	1,323,609	988,392	932,348	3,225,551	16,019,779	329,329	41,092	16,786	14,099	41,166	22,932,151
Opening accumulated amortization	980,153	731,567	859,320	1,694,285	5,600,830	16,279	41,092	16,786	14,099	41,166	9,995,577
Amortization	107,871	67,236	12,762	105,976	505,654	8,233	-	-	-	-	807,732
Closing accumulated amortization	1,088,024	798,803	872,082	1,800,261	6,106,484	24,512	41,092	16,786	14,099	41,166	10,803,309
Net book value	235,585	189,589	60,266	1,425,290	9,913,295	304,817	-	-	-	-	12,128,842

<b>2022</b>											
	<b>Elizabeth Hills</b>	<b>Purvis Park</b>	<b>Heydon Park</b>	<b>Ferguson Park</b>	<b>Dr Cann Park</b>	<b>Westcott Cottage</b>	<b>Furniture &amp; Equipment</b>	<b>Computer equipment &amp; software</b>	<b>Office equipment</b>	<b>Leasehold Improvements</b>	<b>Total</b>
Opening cost	1,109,131	908,420	932,348	3,132,800	15,659,511	321,837	41,092	16,786	14,099	41,166	22,177,190
Additions	39,956	41,779	-	63,387	154,684	7,492	-	-	-	-	307,298
											-
Closing cost	1,149,087	950,199	932,348	3,196,187	15,814,195	329,329	41,092	16,786	14,099	41,166	22,484,488
Opening accumulated amortization	865,758	671,757	840,954	1,592,869	5,109,361	8,046	41,092	14,175	14,099	41,166	9,199,277
Amortization	114,395	59,810	18,366	101,416	491,469	8,233	-	2,611	-	-	796,300
Closing accumulated amortization	980,153	731,567	859,320	1,694,285	5,600,830	16,279	41,092	16,786	14,099	41,166	9,995,577
Net book value	168,934	218,632	73,028	1,501,902	10,213,365	313,050	-	-	-	-	12,488,911

The land for Elizabeth Hills was donated to the Trust and is recorded at a nominal value of \$2. Lands for Purvis Park and Heydon Park have each been leased to the Trust for 99 years by the Government of Bermuda (the “Government”) and Heydon Trust, at nominal value of \$1 each, respectively. Land at Ferguson Park and Dr. Cann Park have each been leased to the Trust for 129 years and 99 years, respectively, by the Bermuda Land Development Company Limited (“BLDC”) at a rent of \$1 per year.



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**7. LONG-TERM DEBT**

On February 23, 2006, the Trust secured a ten-year \$12.5 million construction loan with the Bank for development of 100 seniors' homes at Dr. Cann Park. The interest rate for this loan was at the Bank's Bermuda dollar base rate plus 1.25% per annum. The loan was primarily secured by an assignment of rental income from the lease of the property. In addition, the Bank had a conditional assignment of any lease agreements entered into by the Trust with prospective tenants. The Bank also had an assignment by way of security and charge over concluded leases granted by BLDC. The Bank was also provided a certificate from a recognized Bermuda insurer that appropriate insurance was in force and that the bank was named as a mortgage and loss payee. Lastly, the loan was secured by a conditional assignment by way of security of fixed price contract. The term of the facility allowed for an interest only period, commencing from the first draw-down and expiring 24 months thereafter or upon substantial completion of the Dr. Cann Park Project whichever came earlier.

Additionally, on February 9, 2006, the Centennial Bermuda Foundation, previously known as the Bank of Bermuda Foundation ("the Foundation") pledged to donate up to \$2.5 million upon completion of the Dr. Cann Park Project. This amount has been received from the Foundation.

On September 7, 2007, the capitalized interest payable and the principal amount outstanding amounting to \$672,599 and \$11,827,401 respectively, totaling \$12.5 million were converted into a term loan. The loan was for a term of 8 years or such longer date as the bank in its absolute discretion may agree in writing. The term loan was repaid by monthly amortized installments of capital and interest of approximately \$85,000 per month (\$1,020,000 per annum). The Trust made a bullet payment equal to any outstanding balances of the facility together with interest and other costs and expenses on or before the expiration of the amortized term.

On February 1, 2016, the Trust negotiated an amendment to the long-term debt agreement with the Bank. The new agreement called for monthly loan payments of \$70,000, of which \$50,000 will be discharged to principal and interest and \$20,000 to a maintenance sinking fund for maintenance projects to Dr. Cann Park as agreed by the Bank.

Payments to the maintenance sinking fund (note 3) amounted to \$240,000 (2022 – \$290,655).

The maintenance sinking fund is available for the following purposes:

- (a) To carry out stair replacement works at the Dr. Cann Park property, the cost of which shall be evidenced by an independent engineer or surveyor's report;
- (b) To carry out other non-routine maintenance at Dr. Cann Park, the cost of which exceeds \$40,000 which shall be evidenced by an independent engineer or surveyor's report;
- (c) To make voluntary prepayments against the facility; and
- (d) To carry out other projects as agreed with the Bank.

The interest rate on the loan was amended to the greater of 3.5% per annum or HSBC Commercial Base Rate less 0.75%. In addition, the Trust could make ad hoc balloon payments reducing the principal of the loan without penalty, in amounts of \$180,000 or more, and further decreasing the interest rate by 10 basis points, subject to a floor equating to the greater of the HSBC Commercial Base Rate - 1.25% or interest rate of 3.5%. Per the agreement, the loan could be repaid in full on or before June 8, 2018.

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7. LONG-TERM DEBT (cont'd)

All amounts owing to the Bank under the loan at all times are secured by the following:

- (a) a conditional assignment of rents pertaining to any lease agreements entered into by the Trust with tenants of the apartments within Dr. Cann Park and/or over the rental income emanating therefrom in form or substance acceptable to the Bank;
- (b) an equitable charge (the "Equitable Charge") in a form acceptable to the Bank over a lease of Dr. Cann Park dated September 17, 2014 (the "Ground Lease") granted by BLDC;
- (c) an estoppel waiver from BLDC confirming that BLDC consents to the charging of the Ground Lease and accepts the Bank's entitlements under the Equitable Charge in an event of default by the Trust of this facility letter; and
- (d) a pledge agreement incorporating an assignment and charge over the account held by the Trust at the Bank (which inter alia shall hold the maintenance sinking fund).

The loan agreement also includes a negative pledge that the Trust shall not create or permit to subsist any mortgage, pledge, lien, charge, assignment, hypothecation or security interest or any other agreement or arrangement having the effect of conferring security over and in respect of any of its assets other than those in favour of the Bank without the prior written consent of the Bank.

On June 19, 2018 the Trust refinanced the maturing outstanding loan balance in the amount of \$6,128,406 with a new loan in the amount of \$6,149,606. The loan is for a period of five (5) years from the date of refinancing with monthly instalments of \$48,561 and an interest rate of 0.50% per annum above the Bank's Base Rate.

Principal and interest payments made by the Trust during the year amounted to \$395,472 (2022 – \$630,523) and \$187,268 (2022 – \$199,213), respectively.

Interest payable on long-term debt included on the statement of financial position at March 31, 2023 was \$12,858 (2022 – \$11,370).

Management estimates future principal repayments, until maturity, as follows:

	\$
2024	400,000
2025	3,175,781
	<u>3,575,781</u>

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**8. RELATED PARTY TRANSACTIONS**

The Trust is related to all Government departments, ministries, funds, agencies and quasi-autonomous non-governmental organizations under the common control of the Government. Also, the Trust is related to organizations that the Government jointly controls or significantly influences.

The Trust enters into transactions with these entities in the normal course of business and such transactions are measured at the exchange amount which is the amount of consideration established and agreed by the related parties.

Significant transactions with the Government and other related parties include:

	Transactions for the year		Due at year-end	
	2023	2022	2023	2022
	\$	\$	\$	\$
Revenue and receivables:				
Subsidized rent	954,642	970,802	-	
Donated trustee fees	1,000	1,850	-	-
	<u>955,642</u>	<u>972,652</u>	<u>-</u>	<u>-</u>
Expenses and payables:				
Social insurance	1,868	2,359	287	-
Payroll tax	1,035	1,521	943	901
	<u>2,903</u>	<u>3,880</u>	<u>1,230</u>	<u>901</u>

**9. EMPLOYEE FUTURE BENEFITS**

**(a) Pension plan**

The Trust has a defined contribution pension plan whereby the Trust matches employee contributions of 5% (2022 – 5%) of current salary levels. The Trust's contributions to the plan during the year totaled \$2,522 (2022 – \$3,506). These contributions represent the total liability of the Trust. The pension scheme is administered by BF&M Limited.

**(b) Compensated absences**

Compensated absences include maternity leave, sick leave and vacation days. All these benefits are unfunded.

Maternity leave does not accumulate or vest and therefore an expense and liability is only recognized when extended leave is applied for and approved. There was no maternity leave applied for or approved during the current year and therefore, no liability has been accrued in the accounts.

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9. EMPLOYEE FUTURE BENEFITS (cont'd)

Sick leave does not accumulate or vest, and like maternity leave, a liability is recorded only when extended leave is applied for and approved. There was no extended sick leave applied for or approved during the current year and therefore, no liability has been accrued in the accounts.

Vacation days accumulate and vest, however a liability is not accrued each period.

10. EXPENSES BY OBJECT

The following is a summary of expenses by object:

	2023 \$	2022 \$
Amortization of tangible capital assets (note 6)	807,732	\$ 796,300
Repairs and maintenance	570,338	498,574
Interest	188,757	199,213
Consulting fees	108,603	34,462
Insurance	99,716	99,439
Salaries and employee benefits	91,362	90,639
Water and sewage	58,278	92,872
Telephone and electricity	37,555	33,101
Support services	33,971	45,109
Audit fees	14,000	14,000
Office	12,133	9,856
Rent	12,000	12,000
Trustees' fees	4,400	5,750
Bank charges and fees	1,604	1,687
Bad debt (recovery)	1,060	(528)
Security	-	3,080
Miscellaneous	-	173
	2,041,509	1,935,727

11. FINANCIAL RISK MANAGEMENT

The Trust has exposure to counterparty credit risk, liquidity risk and market risk associated with its financial assets and liabilities. The Board of Trustees has overall responsibility for the establishment and oversight of the Trust's risk management framework. The Trust's risk management program seeks to minimize potential adverse effects on the Trust's financial performance. The Trust manages its risks and risk exposures through a combination of insurance and sound business practices. The following analysis provides a measure of the risks at the reporting date.

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**11. FINANCIAL RISK MANAGEMENT (cont'd)**

**(a) Credit risk**

Credit risk arises from cash held with banks and credit exposure to tenants, including outstanding accounts receivable. The maximum exposure to credit risk is equal to the carrying value (net of allowances) of the financial assets. The objective of managing counterparty credit risk is to prevent losses on financial assets. The Trust assesses the credit quality of counterparties, taking into account their financial position, past experience and other factors.

**(i) Cash and cash equivalents**

Cash and cash equivalents consist of cash on hand, call deposit account, fixed term deposits, and current account balances with banks. Credit risk associated with cash and cash equivalents is minimized substantially by ensuring that these financial assets are invested with highly rated financial institutions.

**(ii) Accounts receivable**

Accounts receivable consists of receivables from rental units, dividend and interest receivable. The Trust's credit risk arises from the possibility that a counterparty which owes the Trust money is unable or unwilling to meet its obligations in accordance with the terms and conditions in the contracts with the Trust, which would result in a financial loss for the Trust. This risk is mitigated through established credit management techniques, including monitoring counterparty's creditworthiness, obtaining references and taking security deposits. In the year ended March 31, 2023, the maximum credit risk to which the Trust is exposed is equal to the carrying value of its accounts receivable.

The amounts outstanding at the year end were as follow:

	Total	Current	Over 30 days
	\$	\$	\$
Accounts receivable	13,227	9,998	3,229
Less: impaired allowance	<u>(975)</u>	<u>-</u>	<u>(975)</u>
Net receivables	<u>12,252</u>	<u>9,998</u>	<u>2,254</u>

There are no significant changes from previous year in the exposure to risk or policies, procedures and methods to measure credit risk.

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11. FINANCIAL RISK MANAGEMENT (cont'd)

(b) Liquidity risk

Liquidity risk is the risk the Trust will not be able to meet its financial obligations as they fall due. The Trust's objective in managing liquidity is to ensure that it will always have sufficient liquidity to meet its commitments when due, without incurring unacceptable losses or risking damage to the Trust's reputation. The Trust manages exposure to liquidity risk by closely monitoring supplier and other liabilities, focusing on debtor collection, generating positive cash flows from operations and establishing and maintaining good relationships with various financial institutions.

The following table sets out the expected cash flows of financial liabilities:

	Total	Current	31-90 days	90+ days
	\$	\$	\$	\$
Long-term debt	3,575,781	48,562	97,124	3,430,095
Rental deposits	106,597	-	-	106,597
Accounts payable and accrued liabilities	96,495	84,715	-	11,780
Deferred rental income	16,166	14,843	464	859
	<u>3,795,039</u>	<u>148,120</u>	<u>97,588</u>	<u>3,549,331</u>

There are no significant changes from previous year in the exposure to risk or policies, procedures and methods to measure liquidity risk.

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the fair value of recognized assets and liabilities or future cash flows of the Trust's results of operations.

(i) Foreign exchange risk

The Trust's business transactions are mainly conducted in Bermuda dollars and, as such, it has minimal exposure to foreign exchange risk.

(ii) Interest rate risk

The Trust is exposed to changes in interest rates which impact interest income on short-term deposits and interest expense on long-term debt.

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11. FINANCIAL RISK MANAGEMENT (cont'd)

(c) Market risk (cont'd)

(iii) Price risk

The Trust is exposed to price risk due to potential fluctuations in the market price of its portfolio investments which may decline in the future.

There are no significant changes from previous year in the exposure to risk or policies, procedures and methods to measure market risk.

12. CAPITAL MANAGEMENT

The Trust's objective when managing capital is to hold sufficient accumulated surplus to enable it to withstand negative unexpected financial events. The Trust seeks to achieve this objective through receipt of rental income and maintaining an operating surplus. The Trust seeks to maintain sufficient liquidity to meet its short-term obligations as they come due. The Trust is subject to externally imposed restrictions (see Note 3 and 7).

13. BUDGET

The amounts represent the operating cash flow budget approved by the Board on April 21, 2022.

14. CONTRIBUTIONS

The Trust in part relies on contributions that are often tied to specific initiatives or programmes. During the year, the Trust received funding as follow:

	<u>2023</u>	<u>2022</u>
	\$	\$
Restricted	5,000	32,336
Unrestricted	<u>1,000</u>	<u>1,850</u>
Total contributions	<u>6,000</u>	<u>34,186</u>

Restricted contributions were received from Wesley Methodist Church for the purchase and installation of deadbolts at all units of Elizabeth Hills property as deemed required by the trustees.

There are no deferred restricted contributions at year end, as the funds were fully expended in the manner they were intended during the year.

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**15. SUBSEQUENT EVENTS**

- a) On May 1, 2023, a new lease commenced, moving the Trust's office premises to Unit II-73, Level A, Phase 2 of Washington Mall, Hamilton. The new lease is for 3 years at an annual rent of \$15,690.
- b) On July 13, 2023, the Trustees authorized the loan principal to be paid down by \$410,729, from \$3,410,429 to \$3,000,000. The bank was authorized to process payment on September 6, 2023.
- c) On August 29, 2023, a new term loan facility was agreed with HSBC Bank Bermuda Limited of up to \$3,000,000 for a term of 5 years from July 6, 2023, at 3% interest rate annually. Repayment in monthly installment of \$48,562 inclusive of interest, representing amortization schedule of approximately 8 years. Other terms and conditions remained similar to the existing loan (note 7).

**16. COMPARATIVE FIGURES**

Where necessary comparative figures have been adjusted to conform to current year's presentation.