

BERMUDA MENTAL HEALTH FOUNDATION

Financial Statements
(With Independent Auditor's Report Thereon)
July 31, 2024

The accompanying report of KPMG Audit Limited ("KPMG") is for the sole and exclusive use of Bermuda Mental Health Foundation (the "Foundation").

No person, other than the Company, is authorized to rely upon the report of KPMG unless KPMG expressly so authorizes.

Furthermore, the report of KPMG is as of date December 2, 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 Mental Health Foundation

Qualified opinion

We have audited the financial statements of Bermuda Mental Health Foundation (the "Foundation"), which comprise the balance sheet as at July 31, 2024, the statements of revenue and expenses and changes in fund balances 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 in our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as at July 31, 2024, and its financial performance and its cash flows for the year then ended in accordance with accounting standards for not-for-profit organisations generally accepted in Bermuda and Canada ("ASNFP").

Basis for qualified opinion

The Foundation derives \$80,613 (2022 - \$51,199) of its revenues from the general public in the form of contributions, which are included in the statement of revenues and expenses, changes in fund balance and cash flows, the completeness of which is not susceptible to satisfactory audit verification. We were unable to obtain sufficient appropriate audit evidence over the completeness of contribution revenue. Accordingly, our verification of these revenues was limited to the amounts recorded by the Foundation, and we were not able to determine whether any adjustments might be necessary to contributions and excess of revenues over expenses reported in the statement of revenues and expenses, changes in fund balances and cash flows for the years ended July 31, 2024 and 2023, and cash and cash equivalents and fund balances included in the balance sheets as at July 31, 2024 and 2023.

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 consolidated financial statements* section of our report. We are independent of the Foundation in accordance with 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 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 Foundation'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 Foundation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Foundation'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 Foundation'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 Foundation'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 Foundation 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
December 2, 2024

BERMUDA MENTAL HEALTH FOUNDATION

Balance Sheet

July 31, 2024

(Expressed in Bermuda dollars)

	<u>2024</u>	<u>2023</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 218,649	\$ 159,671
Fixed deposit	65,000	65,000
Accounts receivable (Note 10)	3,335	764
Prepaid expenses	27,706	1,325
	<hr/>	<hr/>
Total current assets	314,690	226,760
Non-current assets		
Capital assets (Note 5)	2,740,290	2,784,296
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Total assets	<u>\$ 3,054,980</u>	<u>\$ 3,011,056</u>
Liabilities and fund balances		
Current liabilities		
Accounts payable and accrued liabilities	\$ 29,479	\$ 24,388
Deferred rental income	15,341	805
	<hr/>	<hr/>
Total current liabilities	44,820	25,193
Non-current liabilities		
Loan (Note 6)	650,000	650,000
	<hr/>	<hr/>
Fund balances		
Guarantee fund (Note 9)	12,000	12,000
Capital asset fund	2,090,290	2,134,296
Unrestricted fund	257,870	189,567
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Total fund balances	2,360,160	2,335,863
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Total liabilities and fund balances	<u>\$ 3,054,980</u>	<u>\$ 3,011,056</u>

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

Signed on behalf of the Board of Directors

 Director

 Director

BERMUDA MENTAL HEALTH FOUNDATION

Statement of Revenues and Expenses

Year Ended July 31, 2024

(Expressed in Bermuda dollars)

	<u>2024</u>	<u>2023</u>
Revenues		
Rental income	\$ 221,444	\$ 165,222
Contributions (Note 7)	80,613	51,199
Interest income	152	151
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Total revenues	302,209	216,572
	<hr/>	<hr/>
Expenses		
Amortization (Note 5)	61,762	60,448
Repairs and maintenance	51,877	48,111
Administration services	48,000	48,000
Audit fees	30,855	30,655
Insurance	23,400	20,195
Public relations and marketing consultancy	23,269	18,572
Accounting	16,097	15,045
Marketing promotional expenses	11,380	2,333
Land tax	5,800	5,822
Corporate administrative services	3,253	3,700
Bank charges	1,068	733
Miscellaneous	755	1,267
Website and email	396	286
Water services/utilities	-	2,686
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Total expenses	277,912	257,853
	<hr/>	<hr/>
Excess (shortfall) of revenues over expenses	\$ 24,297	\$ (41,281)
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The accompanying notes are an integral part of these financial statements.

BERMUDA MENTAL HEALTH FOUNDATION

Statement of Changes in Fund Balances

July 31, 2024

(Expressed in Bermuda dollars)

	Guarantee Fund	Capital Asset Fund	Restricted Fund (Note 9)	Unrestricted Fund	Total
Balance at August 1, 2022	\$ 12,000	\$ 2,184,337	\$ 13,966	\$ 166,841	\$ 2,377,144
Transfer for the purchase of capital assets (Note 4)	-	10,407	-	(10,407)	-
Transfer from the restricted fund to the unrestricted fund (Note 4)	-	-	(13,966)	13,966	-
(Shortfall) excess of revenues over expenses	-	(60,448)	-	19,167	(41,281)
Balance at July 31, 2023	12,000	2,134,296	-	189,567	2,335,863
Transfer for the purchase of capital assets (Note 4)	-	17,756	-	(17,756)	-
(Shortfall) excess of revenues over expenses	-	(61,762)	-	86,059	24,297
Balance at July 31, 2024	\$ 12,000	\$ 2,090,290	\$ -	\$ 257,870	\$ 2,360,160

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

BERMUDA MENTAL HEALTH FOUNDATION

Statement of Cash Flows

July 31, 2024

(Expressed in Bermuda dollars)

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities		
Excess (shortfall) of revenues over expenses	\$ 24,297	\$ (41,281)
Adjustment for:		
Amortization	61,762	60,448
Changes in non-cash working capital balances		
Accounts receivable	(2,571)	(81)
Prepaid expenses	(26,381)	107
Accounts payable	5,091	(10,024)
Deferred rental income	14,536	720
	<u>76,734</u>	<u>9,889</u>
Cash flows used in investing activities		
Purchase of capital assets (Notes 4 and 5)	(17,756)	(10,407)
	<u>(17,756)</u>	<u>(10,407)</u>
Net increase (decrease) in cash and cash equivalents	58,978	(518)
Cash and cash equivalents, beginning of year	<u>224,671</u>	<u>225,189</u>
Cash and cash equivalents, end of year	<u>\$ 283,649</u>	<u>\$ 224,671</u>
Cash and cash equivalent comprises the following:		
Cash	\$ 218,649	\$ 159,671
Fixed deposit	65,000	65,000
	<u>\$ 283,649</u>	<u>\$ 224,671</u>

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

1 Incorporation and organization

Bermuda Mental Health Foundation (the “Foundation”) is incorporated without share capital under the Bermuda Companies Act, 1981 as a private non-profit company limited by guarantee.

The primary objectives of the Foundation are to acquire and maintain a stock of real estate to be utilized as long-term shared residential facilities; to assist and encourage the development of active community-based support groups for the benefit of the mentally ill and their immediate families; to act as a private advocacy group for the needs and the rights of the mentally ill; to encourage educational activities that develop public awareness and foster acceptance and integration of the mentally ill into the community; and to assist in the creation and development of a permanent community-based day-time resource support center exclusively for the mentally ill who reside in the community.

2 Basis of preparation

The Foundation has presented financial statements in conformity with the Chartered Professional Accountants of Canada (“CPA Canada”) Handbook – Accounting Part III: Accounting Standards for Not-for-Profit Organizations (“ASNFPPO”).

3 Significant accounting policies

These financial statements have been prepared in accordance with ASNFPPO and include the following significant accounting policies:

(a) Use of estimates

The preparation of financial statements in accordance with ASNFPPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Items subject to such estimates and assumptions include estimating useful lives of capital assets and the impairment of capital assets and accounts receivable. Actual results could differ from those estimates.

(b) Fund accounting

The Foundation follows the restricted fund method of accounting for contributions, which records contributions according to their nature or purpose as specified by the donor. Contributions received or receivable are recognized as revenue of the appropriate restricted or unrestricted fund. The Foundation uses the following fund groups:

Guarantee fund

The guarantee fund records amounts contributed by the initial guarantor of the Foundation.

Restricted fund

The restricted fund accounts for all contributions that are restricted as to their use.

3 Significant accounting policies (continued)

(b) Fund accounting (continued)

Unrestricted fund

The purpose of the unrestricted fund is to record all transactions related to the Foundation's operating activities.

Capital asset fund

The capital asset fund records capital assets of the Foundation and the related movements such as depreciation and revaluation.

(c) Rental income

Rental income is accrued to the balance sheet date and is recognized on a straight line basis over the period of the lease in accordance with the underlying rental agreements.

(d) Capital assets

Capital assets purchased by the Foundation are recorded at cost less accumulated amortization and impairment, if any. Donated capital assets are recorded at fair value at the date of contribution. Capital assets are separated into their significant component parts when practicable and when estimates can be made of the lives of the separate components. Capital assets are amortized on a straight line basis over their estimated useful lives at the following rates:

Property and renovations	2% per annum
Furniture and fixtures, video and equipment	20% per annum

Land is not amortized.

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.

(e) Donated materials and services

Donated materials and professional services are recorded at fair value, if determinable, when received.

3 Significant accounting policies (continued)

(f) Pledges and contributions

Pledges to donate funds to the Foundation are recognized as an asset when the amounts to be received can be reasonably estimated, and the ultimate collection is reasonably assured. Restricted contributions receivable that are reported as assets are recognized as revenue of the appropriate restricted fund. Unrestricted contributions receivable that are reported as assets are recognized as revenue of the unrestricted fund.

(g) Cash and cash equivalents

For the purposes of the statement of cash flows, the Foundation considers all time deposits with an original maturity of 90 days or less as equivalent to cash. The Foundation's cash and cash equivalents are held by a single financial institution in Bermuda. Interest of \$nil was earned on cash and cash equivalents during the year.

(h) Financial instruments

Financial instruments consist of cash and cash equivalents, fixed deposit, accounts receivable, accounts payable and loan payable.

The Foundation initially measures its financial assets and liabilities at cost being fair value of the consideration paid or received. The Foundation subsequently measures all its financial assets and financial liabilities 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 expenses. 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 expenses.

4 Interfund transfers

An amount of \$17,756 was transferred from the unrestricted fund to the capital asset fund which represents net capital asset additions for the year ended July 31, 2024 (2023 - \$10,407).

An amount of \$13,966 was transferred from the restricted fund to the unrestricted fund which represents the use of the Wilkie deposit during the year ended July 31, 2023.

BERMUDA MENTAL HEALTH FOUNDATION

Notes to Financial Statements

July 31, 2024

5 Capital assets

The Foundation purchased a property known as "Our Blessing" on January 20, 1997, a second property known as "Our Way" on May 1, 2000, a third property at 16 Portland Lane on December 1, 2006 and a fourth property known as "Tarheel" (Note 6) was purchased on December 13, 2021.

The following is an analysis of capital assets:

	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Net book value</u>	
			<u>2024</u>	<u>2023</u>
Land	\$ 616,320	\$ -	\$ 616,320	\$ 616,320
Property	2,808,932	707,323	2,101,609	2,157,796
Furniture and fixtures	161,661	139,460	22,201	9,780
Video	10,000	10,000	-	-
Laptop	1,199	1,039	160	400
	<u>\$ 3,598,112</u>	<u>\$ 857,822</u>	<u>\$ 2,740,290</u>	<u>\$ 2,784,296</u>

The cost and accumulated amortization of capital assets at July 31, 2023 were \$3,580,356 and \$796,060 respectively.

6 Loan

One of the directors of the Foundation granted an advance of \$650,000 in December 2021 for the purchase of Tarheel (Note 5). The loan will have a moratorium of five years and will accrue no interest during this period. Thereafter, the principal amount will be payable upon 12 months' notice by the lender and will accrue interest at 1% per annum payable in arrears.

7 Contributions

During the year, the Foundation recognized contributions from the following sources:

	<u>2024</u>	<u>2023</u>
Donated professional services	\$ 32,400	\$ 32,400
Non-profit organizations	20,000	12,500
Individual contributors	19,963	2,799
Corporate donors	8,250	3,500
	<u>\$ 80,613</u>	<u>\$ 51,199</u>

8 Rental receivable under operating leases

The minimum future annual rentals receivable under operating leases which are effective over the lifetime of the tenants is \$224,112.

9 Restricted amounts

The initial guarantors of the Foundation received \$12,000 in contributions and acting as trustees paid these funds into the guarantee fund of the Foundation.

The Foundation acts as the custodian and manager of the Dick Wilkie Memorial Fund which consists of \$nil as at July 31, 2024 (2023 – \$nil). The fund was utilized for the express purpose of supporting a public forum and to finance other public education endeavors in honor and memory of the late Dr. Dick Wilkie (Note 4).

10 Financial instruments

Fair values

The estimated fair values of the Foundation's cash and cash equivalents, fixed deposit, accounts receivable and accounts payable approximate their carrying values due to their short-term nature.

The long-term Loan is from a related party director and thus measured at cost.

The estimates of fair values presented herein are subjective in nature and not necessarily indicative of the amounts that the Foundation would actually realize in a current market exchange. Certain items such as capital assets, accrued income, prepaid expenses and deferred rental income are excluded from fair value disclosure as they are not financial instruments. Thus the carrying amounts of all items in the balance sheet cannot be aggregated to determine the underlying fair value of the Foundation.

Liquidity risk

Liquidity risk is the risk that the Foundation will encounter difficulties in meeting its financial liability obligations. The Foundation manages liquidity risk by holding sufficient cash and cash equivalents and fixed deposits to enable it to meet its liabilities as they fall due, and by continually monitoring actual and projected cash flows. The Foundation is not exposed to significant liquidity risk (Note 6).

Credit risk

Credit risk is the risk that a customer or counterparty to a financial instrument fails to meet its contractual obligations to the Foundation, and arises principally from cash and cash equivalents, fixed deposit and accounts receivable. The maximum exposure to credit risk is represented by the carrying amount of these financial assets on the Foundation's balance sheet. The Foundation limits its exposure to credit risk by investing all of its cash balances and fixed deposit with HSBC Bank Bermuda Limited which has an A- credit rating. Management believes that the Foundation is not exposed to any significant concentration of credit risk. The Foundation continually monitors its accounts receivable balances and donations receivable balances and believes that no allowance for impairment is required at the reporting date.

Interest rate risk

Interest rate risk arises from changes in prevailing levels of market interest rates. The Foundation earns interest at variable rates on its cash and cash equivalents. It is management's opinion that the Foundation is not exposed to significant interest rate risk.

11 Capital management

The Foundation defines capital, for its own purposes, as restricted and unrestricted fund balances. During the year the Foundation'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 Foundation 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 Foundation is not subject to any externally imposed requirements on capital.