



Bermuda Foundation

Non-consolidated Financial Statements
June 30, 2023



Independent Auditor's Report

To the Board of Directors and Members of Bermuda Foundation

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Bermuda Foundation (the Foundation) as at June 30, 2023, and the results of its operations and its cash flows for the year then ended in accordance with Accounting Standards For Not-For-Profit Organizations in Bermuda and Canada.

What we have audited

The Foundation's financial statements comprise:

- the statement of financial position as at June 30, 2023;
- the statement of operations and changes in fund balances for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with auditing standards generally accepted in Bermuda and Canada. 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Foundation in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements of the Chartered Professional Accountants of Bermuda Rules of Professional Conduct (CPA Bermuda Rules) that are relevant to our audit of the financial statements in Bermuda. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the CPA Bermuda Rules.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with *Accounting Standards for Not-For-Profit Organizations 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 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.

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 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, we exercise professional judgment and maintain professional scepticism 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.

PricewaterhouseCoopers Ltd

Chartered Professional Accountants

Hamilton Bermuda

December 1, 2023

Bermuda Foundation

Non-consolidated Statement of Financial Position

As at June 30, 2023

(Bermuda Dollars)

	Endowment Funds			Non-endowed Operating & Programme Funds			Total Funds	
	Central \$	Donor- Advised \$	Field of Interest / Agency \$	Central \$	Donor- Advised \$	Field of Interest / Agency \$	2023 Total \$	2022 Total \$
Current assets								
Cash and cash equivalents	-	41,797	38,129	993,919	7,705,402	191,680	8,970,927	7,128,318
Prepaid expenses	-	-	-	24,358	-	-	24,358	22,126
Receivables	-	2,250	15,000	11,599	-	-	28,849	-
	-	44,047	53,129	1,029,876	7,705,402	191,680	9,024,134	7,150,444
Investments								
Equity investment (note 5)	4,548,175	-	-	-	-	-	4,548,175	4,558,529
Investment funds held for trading (note 4)	2,761,899	6,400,429	890,443	1,065,346	-	14,406	11,132,523	9,467,985
Capital assets (note 6)	-	-	-	64,714	-	-	64,714	21,550
Total assets	7,310,074	6,444,476	943,572	2,159,936	7,705,402	206,086	24,769,546	21,198,508
Current liabilities								
Accounts payable and accrued liabilities	-	4,192	-	49,415	1,550	-	55,157	44,114
Grants payable (note 7)	-	-	-	40,000	206,650	-	246,650	59,237
Unearned rental income	-	-	-	-	-	-	-	9,000
	-	4,192	-	89,415	208,200	-	301,807	112,351
Non-current liabilities								
Deferred contributions (note 10)	-	-	-	51,947	-	-	51,947	137,967
Total liabilities	-	4,192	-	141,362	208,200	-	353,754	250,318
Fund balances								
Restricted fund balances (note 9)	7,310,074	6,440,284	943,572	-	7,497,202	206,086	22,397,218	19,405,507
Unrestricted fund balances	-	-	-	2,018,574	-	-	2,018,574	1,542,683
Total fund balances	7,310,074	6,440,284	943,572	2,018,574	7,497,202	206,086	24,415,792	20,948,190
Total liabilities and fund balances	7,310,074	6,444,476	943,572	2,159,936	7,705,402	206,086	24,769,546	21,198,508

The accompanying notes are an integral part of these non-consolidated financial statements

Bermuda Foundation

Non-consolidated Statement of Operations and Changes in Fund Balances

Year Ended June 30, 2023

(Bermuda Dollars)

	Endowment Funds			Non-endowed Operating & Programme Funds			Total Funds	
	Central \$	Donor- Advised \$	Field of Interest / Agency \$	Central \$	Donor- Advised \$	Field of Interest / Agency \$	2023 Total \$	2022 Total \$
Income								
Gifts and contributions income	130,415	886,669	74,775	834,020	6,164,198	18,882	8,108,959	8,930,412
Gifts and contributions income - interfund	1,250	6,250	20,000	257,500	60,000	129,175	474,175	816,295
Management fee revenue	-	-	-	25,000	-	-	25,000	27,500
Management fee revenue - interfund	-	-	-	274,035	-	-	274,035	303,651
Net investment gains (losses)	210,237	464,967	72,722	205,843	-	1,136	954,905	(508,955)
Share of net income in equity investment	239,646	-	-	-	-	-	239,646	162,764
Other income	-	3,600	-	25,500	-	-	29,100	27,000
	581,548	1,361,486	167,497	1,621,898	6,224,198	149,193	10,105,820	9,758,667
Expenditure								
Operating expenses (note 8)	-	27,675	1,803	707,862	124,602	3,641	865,583	1,016,290
Management fee expenses - interfund	-	107,628	14,259	-	151,957	191	274,035	303,651
	-	135,303	16,062	707,862	276,559	3,832	1,139,618	1,319,941
Excess of revenue over expenses before grants and distributions	581,548	1,226,183	151,435	914,036	5,947,639	145,361	8,966,202	8,438,726
Grants and distributions								
Grants and distributions	-	122,723	88,718	278,825	4,469,514	64,645	5,024,425	3,364,104
Grants and distributions - interfund	250,000	1,000	9,000	178,175	36,000	-	474,175	816,295
	250,000	123,723	97,718	457,000	4,505,514	64,645	5,498,600	4,180,399
Excess of revenue over expenses after grants and distributions	331,548	1,102,460	53,717	457,036	1,442,125	80,716	3,467,602	4,258,327
Fund balance – beginning of year	6,978,526	5,337,824	889,855	1,542,683	6,073,932	125,370	20,948,190	16,689,863
Interfund transfers	-	-	-	18,855	(18,855)	-	-	-
Fund balance – end of year	7,310,074	6,440,284	943,572	2,018,574	7,497,202	206,086	24,415,792	20,948,190

Bermuda Foundation
Non-consolidated Statement of Cash Flows
Year Ended June 30, 2023
(Bermuda Dollars)

	2023	2022
	\$	\$
Operating activities:		
Excess of revenue over expenses	3,467,602	4,258,327
Items not affecting cash		
Change in unrealized (gains) losses	(826,293)	508,955
Share in net gain of equity investment	(239,646)	(162,764)
Changes in non-cash operating working capital		
Prepaid expenses	(2,232)	108
Receivables	(28,849)	74,870
Accounts payable and accrued liabilities	11,043	25,199
Grants payable	187,413	(145,622)
Unearned rental income	(9,000)	9,000
Deferred contributions	(86,020)	(39,726)
Net cash provided by operating activities	2,474,018	4,528,347
Investing activities:		
Dividend received from equity investment	250,000	500,000
Purchase of investment funds held for trading	(838,245)	(3,033,394)
Purchase of capital assets	(43,164)	(5,990)
Net cash used in investing activities	(631,409)	(2,539,384)
Increase in cash and cash equivalents	1,842,609	1,988,963
Cash and cash equivalents, beginning of year	7,128,318	5,139,355
Cash and cash equivalents, end of year	8,970,927	7,128,318

The accompanying notes are an integral part of these non-consolidated financial statements

Bermuda Foundation

Notes to the Non-consolidated Financial Statements

Year Ended June 30, 2023

(Bermuda Dollars)

1. *Purpose of the organisation*

Established in early 2013 as a company limited by guarantee with charitable and philanthropic objects, the Bermuda Foundation, formerly known and operated as the Bermuda Community Foundation (“BCF” or “the Foundation”) is a registered Bermuda charity (#948). Its purpose is to act as a grant-making organisation made up of funds that have been established by individuals, families and businesses to:

- Facilitate grants from donors with a connection to Bermuda, to nonprofit organisations, causes and public institutions, from arts and education to health and community services that serve the Island’s residents
- Pool, steward and deploy donations from a variety of donors
- Establish a permanent asset base for public benefit, in the form of an endowment.

The Foundation creates a vehicle for a permanent, pooled charitable endowment that generates and supports charitable giving in the long term. It provides donors with a simple, convenient and flexible way to make an impact for social good: to improve the lives of locals in need and to support groups serving Bermuda’s community interests — now and forever.

The Foundation serves three major constituencies: its donors, and by extension, an emerging philanthropic community, the charitable sector and the community-at-large.

Donors are the Foundation’s primary clients – the Foundation manages charitable and philanthropic gifts and giving programmes for donors and donor-entities. BCF enables corporations, private individuals and families to establish customized charitable funds without the burden of tax liabilities or administrative tasks such as setting up private foundations or trusts; or distributing grants. It works directly with donors to understand their philanthropic vision and create funds to support causes that are most important to them. For these donors, the Foundation, like other community foundations, offers a one-stop shop for contributing to a community they care about.

Corporate giving committees and their employees may also give through the Foundation to: 1) facilitate a grant making process and manage grant programmes; 2) establish corporate funds for specific fields of interest; or 3) contribute to the foundation via employee-matched gift schemes.

Funds from the different donors are aggregated, invested and managed to achieve greater returns for Bermuda’s civic sector. In the longer term, income is derived from fees assessed on the funds for their management and from investment returns on the BCF-specific portion of the central endowment. A portion of that income is distributed to bona fide charities and community organisations according to donors’ suggestions, areas of interest or through competitive grants made by the Foundation itself. Donors are also invited to make contributions to the BCF central operating and endowment funds that allow BCF to administer donor funds, build the organisation and encourage other potential donors to set up a fund.

Nonprofit organisations are the primary beneficiaries. For communities, the Foundation ensures informed, strategic, and sustained support for the third sector. For smaller nonprofit organisations, new or emerging charities and community groups, it offers potential extra funding support from one place and for larger nonprofit organisations, an opportunity to develop a passive income source by establishing their own endowment that is professionally managed.

To fulfill its mission to create an enduring funding source forever dedicated to the good of the Island, BCF directs its efforts and dollars into long-term solutions focused on priority issues for the community.

Bermuda Foundation

Notes to the Non-consolidated Financial Statements

Year Ended June 30, 2023

(Bermuda Dollars)

2. Significant accounting policies

The financial statements of the Foundation have been prepared in accordance with Accounting Standards for Not-For-Profit Organisations in Bermuda and Canada. The following summary of significant accounting policies is set forth to facilitate the understanding of these financial statements:

(a) **Basis of preparation and investment in subsidiaries**

These financial statements have been prepared on a non-consolidated basis. The Foundation has elected to account for its investment in its wholly owned subsidiary, Sterling House Limited, using the equity method.

(b) **Fund accounting**

The Foundation follows the restricted fund method of accounting in order to ensure observance of the limitations and restrictions placed on the use of resources available to the Foundation. Accordingly, resources are classified for accounting and reporting purposes into funds. These funds are maintained in accordance with either the objectives specified by the donors or with directives issued by the Board of Directors (the "Board"). Certain inter-fund transfers may be necessary to ensure the appropriate allocation of assets and liabilities to the respective funds. Transfers between the funds are recorded in the Non-consolidated Statement of Operations and Changes in Fund Balances.

For financial reporting purposes, the contributions have been classified into the following funds:

i) **Endowment Funds**

The Foundation classifies the endowment funds into three funds: Central, Donor-Advised and Field of Interest/Agency.

According to the terms of deed of gift, normal endowment funds are resources contributed to the Foundation, which must be maintained permanently by the Foundation. The Foundation classifies endowment funds specifically directed towards the operating expenses of the Foundation and/or directives decided by the Foundation as "Central" and all other directives as "Donor-Advised". Income earned by the Central endowment contributions may be used by the Foundation for a purpose specified by the Board. Income earned by the Donor-Advised endowment contributions may be directed by the Foundation for a purpose specified by the donor by way of recommendation to the Board.

The Foundation also distinguishes between a special type of endowment fund, which is termed "Agency" and classified within the "Field of Interest/Agency" endowment fund. Agency endowment funds are permanent or long-term investments made by a nonprofit organisation, which the Foundation invests in the market and manages on behalf of the nonprofit organisation. Distributions of income are made from the earnings, without touching the original contribution or principal. The nonprofit organisation has essentially invested its own funds in setting up a charitable endowment. Earnings from the Agency fund may be distributed as grants to the nonprofit organisation annually, supporting its programs and services in the long term. Also classified within the "Field of Interest/Agency" fund are endowment funds where the donor specifies the area(s) of special interest for support known as "Field of Interest" funds. Income earned by the Field of Interest endowment contributions may be directed by the Foundation for a purpose specified by the establishing donor by way of recommendation to the Board or by the Foundation itself.

The Board exercises discretionary control over the investment of these assets through external investment fund managers. Income earned on the endowment resources, as well as any investment gains or losses, is reported in the Non-consolidated Statement of Operations and

Bermuda Foundation

Notes to the Non-consolidated Financial Statements

Year Ended June 30, 2023

(Bermuda Dollars)

Changes in Fund Balances. Any income earned is either retained in the endowment fund or granted in the year.

ii) **Non-endowed Operating and Programme Funds**

The Foundation classifies the Non-endowed Operating and Programme Funds into three funds: Central, Donor-Advised and Field of Interest/Agency.

The "Central Operating Fund" is comprised of unrestricted resources for the Foundation's general operating activities including management and administration. The cost of these activities is reported in the expenses of the Central Operating Fund. In some instances, contributions within the Central Operating Fund are externally restricted for a specific programme and accounted for using the deferral method of accounting (note 2c).

Non-endowed contributions which are received by the Foundation with a specific condition or restriction recommended by the donor are classified within the "Donor-Advised" fund.

Non-endowed contributions which are received by the Foundation and directed towards a field of interest or specific nonprofit organisation are classified within the "Field of Interest/Agency" fund.

In certain cases, endowment, programme and operating funds are reclassified to reflect the nature and intention of these funds more accurately. These changes are reflected in the beginning of year fund balances. There were no changes during the year ended 2023.

The Foundation changed the classification of their funds during the year ended June 30, 2021. Before 2021, the Foundation reported two fund classifications: (1) Endowment Funds and (2) Operating and Programme Funds. The Foundation now reports six separate funds as noted above. Contributions to the Central Operating Fund for general operations are classified as unrestricted for accounting purposes.

(c) **Revenue recognition**

The Foundation follows the restricted fund method for accounting for contributions (note 2b). Restricted contributions related to the Central Operating Fund are recognized as revenue in the year in which the related expense is incurred. Contributions for expenses not yet incurred are, therefore, deferred to a later date and recorded in the Non-consolidated Statement of Financial Position in the line item "Deferred contributions".

All other restricted contributions are recognized as revenue of the appropriate endowment fund or programme fund in the period of receipt.

Unrestricted contributions are recognized as revenue in the period of receipt in the Central Operating Fund.

Investment income is comprised of interest, rental income and realized and unrealized gains and losses and is recognized as revenue in the restricted fund in accordance with the terms of the restricted contribution (note 2b).

Interest income and rental income are recognized on the accrual basis as earned and recorded in the Non-consolidated Statement of Operations and Changes in Fund Balances.

Unrealized gains and losses are allocated to each fund proportionately, based on the fair value of each fund and recorded in the Non-consolidated Statement of Operations and Changes in Fund Balances.

Bermuda Foundation

Notes to the Non-consolidated Financial Statements

Year Ended June 30, 2023

(Bermuda Dollars)

(d) **Financial instruments**

The Foundation's financial instruments consist of cash and cash equivalents, prepaid expenses, receivables, short-term and long-term investments, accounts payable and accrued liabilities, grants payable and unearned rental income.

i) **Cash and cash equivalents**

At June 30, 2023, the Foundation held cash and cash equivalents of \$8,970,927 (2022: \$7,128,318).

The Foundation considers all cash on hand, current, savings and money market mutual fund accounts with financial institutions as cash. Cash and cash equivalents include cash on account and term deposits with maturities from the date of acquisition of three months or less which are readily convertible to known amounts of cash and are subject to insignificant changes in value.

BCF does not maintain an overdraft facility.

ii) **Investment funds held for trading**

Investment funds held for trading are comprised of private investment funds. Investments are all held under Bermuda Foundation but in segregated accounts and in pooled funds. These investments are recorded at their fair value at each measurement/valuation date.

iii) **Equity investment**

The equity investment includes BCF's investment in its wholly owned subsidiary, Sterling House Limited. This investment is recorded using the equity method and tested for impairment periodically.

Financial assets purchased and sold, where the contract requires the asset to be delivered within an established time frame, are recognized on a trade date basis. Transaction costs are expensed as incurred.

The financial assets and financial liabilities of the Foundation are classified and measured as follows:

Assets/Liabilities	Measurement
Cash and cash equivalents	Fair value
Prepaid expenses	Amortized cost
Receivables	Amortized cost
Investment funds held for trading	Fair value
Equity investment – Sterling House	Equity method
Accounts payable and accrued liabilities	Amortized cost
Grants payable	Amortized cost
Unearned rental income	Amortized cost

Financial assets, carried at amortised cost, are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Foundation determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Foundation expects to realize by exercising its right to any collateral.

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Notes to the Non-consolidated Financial Statements

Year Ended June 30, 2023

(Bermuda Dollars)

The Foundation does not enter into any derivative financial instrument arrangements for hedging or speculative purposes.

(e) **Fair value – definition and hierarchy**

The Foundation determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities that the Foundation is able to access.
- Level 2 – Inputs, other than quoted prices included in Level 1 that are observable either directly or indirectly. These inputs may include: (a) quoted prices for similar assets in active markets; (b) quoted prices for identical or similar assets in markets that are not active; (c) inputs other than quoted prices that are observable for the asset; or (d) inputs derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 – Inputs that are unobservable and significant to the entire fair value measurement.

The availability of valuation techniques and observable inputs can vary from investment to investment and are affected by a wide variety of factors, including the type of investment, whether the investment is new and not yet established in the marketplace, the liquidity of markets, and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, determining fair value requires more judgment. Because of the inherent uncertainty of valuation, those estimated values may be materially higher or lower than the values that would have been used had a ready market for the investments existed. Accordingly, the degree of judgment exercised by the Foundation in determining fair value is greatest for investments categorized in Level 3.

In some circumstances, the inputs used to measure fair value might be categorized within different levels of the fair value hierarchy. In those instances, the fair value measurement is categorized in its entirety in the fair value hierarchy based on the lowest level input that is significant to the fair value measurement.

(f) **Fair value – valuation techniques and inputs**

The Foundation values private investment companies using the net asset values provided by the underlying private investment companies as a practical expedient. The Foundation applies the practical expedient to its private investment companies on an investment-by-investment basis, and consistently with the Foundations' entire position in a particular investment, unless it is probable that the Foundation will sell a portion of an investment at an amount different from the net asset value of the investment.

Private investment companies are classified in Level 2 or 3 of the fair value hierarchy. In determining the level, the Foundation considers the length of time until the investment is redeemable, including notice and lock-up periods or any other restriction on the disposition of the investment. The Foundation also considers the nature of the portfolios of the underlying private investment companies and their ability to liquidate their underlying investments. If the Foundation can redeem its investment at the reported net asset valuation as of the measurement date, or in the near term, the investment is generally included in Level 2 of the fair value hierarchy. If the Foundation does not know when it can redeem the investment or it cannot redeem its investment in the near term, the investment is included in Level 3 of the fair value hierarchy.

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Notes to the Non-consolidated Financial Statements

Year Ended June 30, 2023

(Bermuda Dollars)

(g) **Capital assets**

The Foundation expenses all capital assets expenditure below a threshold of \$5,000 each (2022: \$3,000), as they are considered to be fully amortized within the year of purchase. All other capital assets are capitalized in the year acquired and are amortized on a straight-line basis over the assets' estimated useful life as follows:

Assets	Rate
Computer equipment and software	5 years straight-line
Website development	5 years straight-line

Capital assets are capitalized in the year acquired and are amortized from the month of acquisition on a straight-line basis. Computer software and Website development are amortized only when development is complete and available for use. For any contributed capital assets, cost is considered to be fair value at the date of contribution. When a capital asset no longer contributes to the Foundation's ability to provide services, its carrying amount is written down to its residual value.

(h) **Grants and commitments**

Grants are recorded when authorized for payment by the Board. At June 30, 2023, there were several grants which had been approved by the Board but not yet paid.

(i) **Contributed services**

Volunteers with technical or professional expertise contribute a substantial number of hours each year to assist the Foundation in carrying out its activities. Due to the difficulty in determining the fair value of volunteers at the Foundation, their contributions are not recognized in the financial statements. However, business and corporations that contribute in-kind gifts and/or services which have a determinable fair value are recognized in the financial statements.

(j) **Use of estimates**

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates. Significant estimates and assumptions include estimated useful lives of capital assets.

3. **Fair value measurements**

The Foundation's assets and liabilities recorded at fair value have been categorized based on a fair value hierarchy as described in the Foundation's significant accounting policies in note 2.

The following table presents information about the Foundation's assets measured at fair value as of June 30, 2023:

	Level 1	Level 2	Level 3	Total
Investment funds held for trading	-	11,132,523	-	11,132,523

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Notes to the Non-consolidated Financial Statements

Year Ended June 30, 2023

(Bermuda Dollars)

The following table presents information about the Foundation's assets measured at fair value as of June 30, 2022:

	Level 1	Level 2	Level 3	Total
Investment funds held for trading	-	9,467,985	-	9,467,985

4. *Investment funds held for trading*

As of June 30, 2023, the Foundation was invested in private investment funds. Each of these investments has certain restrictions with respect to rights of withdrawal by the Foundation as specified in the respective agreements. Generally, the Foundation is required to provide notice of its intent to withdraw after the investment has been maintained for a certain period of time. The Foundation reviewed all available management proposals from private investment funds to determine an estimate of the gift-in-kind for investment management fees. The management proposals reviewed provide compensation to the managers in the form of fees ranging from 0.5% to 1.35%. An average value of 0.9% is recorded in the Non-consolidated Statement of Operations and Changes in Fund Balances as a gift-in-kind for investment management fees.

The Foundation's investments are exposed to changing market conditions. The Foundation manages the market risk associated with these changing conditions by establishing and monitoring asset allocation strategies and by diversifying investments within the various asset classes. Investment managers operate within a mandate that establishes the investment approach, investment restrictions and the performance measurement applicable to that mandate.

Details of significant terms and conditions and exposures to interest rate and credit risks on investments are disclosed in Note 13.

5. *Equity investment*

In 2014, 2015, 2016, 2017 and 2018 the Bermuda Foundation Endowment Fund received 8,000 shares in total in Sterling House Limited from The Atlantic Philanthropies. These shares were independently valued in March 2014 at \$338.13 per share, representing a total market value of \$2,705,040.

During the year ended June 30, 2020, the remaining shareholder of Sterling House Limited cancelled its 12,000 shares in Sterling House Limited, taking the Foundation's ownership of the shares in Sterling House Limited to 100% (2019: 41%). As a result of the increase in ownership to 100% of the shares in Sterling House in 2020, the investment in Sterling House Limited is accounted for using the equity method.

For the year ended June 30, 2023 and June 30, 2022, a summary of Sterling House Limited balances are as follows:

	2023	2022
Total Assets	4,660,309	4,660,294
Total Liabilities	112,134	101,765
Total Shareholder's Equity	4,548,175	4,558,529
Net Income	239,646	162,764
Cash Flows from Operating Activities	344,495	360,833
Cash Flows used in Financing Activities	(250,000)	(500,000)
Cash Flows from Investing Activities	-	-

Bermuda Foundation

Notes to the Non-consolidated Financial Statements

Year Ended June 30, 2023

(Bermuda Dollars)

6. Capital assets

The capital assets as at June 30, 2023 are as follows:

Description	Cost \$	Accumulated Depreciation \$	2023 Net Book Value \$
Computer equipment and software	100,250	(100,250)	-
Website development	71,689	(30,600)	41,089
Leasehold improvements	23,625	-	23,625
	195,564	(130,850)	64,714

On August 24, 2023, the Foundation entered into an agreement to renovate Sterling House for \$664,399. The work is expected to be substantially completed by December 15, 2023. Costs incurred in the year in relation to this are included within Leasehold improvements and are not subject to amortization until the renovation is completed.

The capital assets as at June 30, 2022 are as follows:

Description	Cost \$	Accumulated Depreciation \$	2022 Net Book Value \$
Computer equipment and software	100,250	(100,250)	-
Website development	52,150	(30,600)	21,550
	152,400	(130,850)	21,550

7. Grants payable

Grants with conditions that have not yet been met are not included in grants payable until all conditions have been satisfied.

Grants payable are recorded at their carrying value as the fair value is non-determinable due to the nature and timing of grant payments and the lack of comparable benchmark.

8. Operating expenses

These costs represent the programme and development support costs of running the Foundation and the program costs of the funds. These operational expenses include the costs of administering grant programmes. All services provided to the Foundation in the form of gifts are recorded at fair value as both an "operating expense" and "contribution and gift income".

The success of the Foundation depends in large part on the continued donation of time and various services by the members and other individuals. No valuation of these activities is reflected in the financial statements since the amounts would not be susceptible to objective measurement or reasonable estimation.

Bermuda Foundation

Notes to the Non-consolidated Financial Statements

Year Ended June 30, 2023

(Bermuda Dollars)

The below table summarises the operating expenses of running the Foundation included in the Central Operating fund.

	2023	2022
Compensation, Professional Consultants & Outside Contractors'	556,105	489,332
Programme Activities	11,846	51,198
Training & Professional Development	19,999	15,588
General and Administration	38,574	36,143
Information Management & Technology	29,933	44,978
Visibility & Communications	4,013	9,911
Facilities	47,392	39,334
	707,862	686,484

The amount of operating expenses pertaining to the Bermuda Central Foundation Fund is \$703,509 (2022: \$678,036).

9. *Restricted fund balances*

Endowment Funds - Central

Grants to the Central Endowment fund are restricted for the following purposes and activities: infrastructure set-up, investor and donor cultivation, board and staff orientation and training, staffing, software purchases, website development, professional consultancy fees, development and completion of strategic planning documents and policies needed to support and execute the plan, including meetings with steering committees, development of collateral materials to support the public roll-out and early donor development stage for BCF. Funds are also restricted for the development of supporting documents to guide the Board's governance and stewardship of BCF; work resulting in the development of technology platforms to facilitate philanthropy, online donation and grant making capabilities and increase the availability of social issue information.

Endowment Funds - Donor-Advised

Donors consult with the Foundation and advise periodically regarding the distributions from these funds.

Endowment Funds - Field of Interest/Agency

Field of Interest/Agency funds are established when a nonprofit organisation creates a fund to support its own operations and programs or when a donor establishes a fund to support work in a specific field of interest. Grants from Field of Interest Funds are made based on the Foundation's spending policy to organisations that are doing the best work in the interest area identified by the original donor. In the case of Agency Funds, the foundation invests the contributions but agrees to transfer back to the agency parts or all of these assets and the investment returns.

Non-endowed Operating and Programme Funds – Central

Grants to the Central Operating Fund are occasionally restricted for a specific operating programme such as IT Design and Technology Platforms or Donor Communication Programmes. Grants are also restricted for a specific expense over a future period.

Non-endowed Operating and Programme Funds – Donor-Advised

Donors advise the Foundation regarding distributions from these funds.

Bermuda Foundation

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Year Ended June 30, 2023

(Bermuda Dollars)

Non-endowed Operating and Programme Funds – Field of Interest/Agency

Field of Interest/Agency funds are established when a nonprofit organisation creates a fund to support its own operations and programs or when a donor establishes a fund to support work in a specific field of interest. Donors or appointed fund advisors direct the Foundation regarding distributions from these funds.

10. Deferred contributions

Restricted contributions within the Central Operating Fund are deferred and recognized as revenue in the same period the expenses are recognized. As at June 30, 2023, the Central Operating Fund had a deferred contribution balance of \$51,947 (2022: \$137,967).

11. Guarantees

In the normal course of business, the Foundation enters into agreements that meet the definition of a guarantee.

Indemnity has been provided to all directors and officers of the Foundation for various items including, but not limited to, all costs to settle suits or actions due to association with the Foundation, subject to certain restrictions. The Foundation has purchased directors' and officers' liability insurance to mitigate the cost of any potential future suits or actions. Further, in the normal course of business, the Foundation has entered into agreements that include indemnities in favour of third parties, such as purchase and sale agreements, confidentiality agreements, engagement letters with advisors and consultants, outsourcing agreements, leasing contracts, information technology agreements and service agreements. Historically, the Foundation has not incurred any costs as a result of any such suits, actions or agreements. The maximum amount of any potential future payment cannot be reasonably estimated, and no amount has been recorded in the financial statements.

12. Related parties

The following former or current board members of BCF established or have an interest in the donor funds at BCF listed below. The total funds donated from related parties during 2023 was \$15,000 (2022: \$15,000) and all donations are arm's length transactions.

Board member	Fund
Brian O'Hara	The O'Hara Family Fund
Brian O'Hara	National Dance Foundation Funds
Amanda Outerbridge	The Joan Darling Memorial Fund
Myra Virgil	The Quig Family Fund
Nikkita Scott	The Williams Legacy Fund (funds granted to another BCF fund and closed)
Michael Brace	Bermuda Community Central Endowment Fund (legacy pledge)

13. Financial instruments and risk management

The financial instruments held by the Foundation are exposed to a variety of financial risks. The Foundation seeks to minimize the potential adverse effects of these risks by regularly monitoring the position of investments, market events and the diversifying of the investment portfolio within the constraints of the Foundation's investment policies. There has been no change to the risk exposure from the prior year.

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Year Ended June 30, 2023

(Bermuda Dollars)

Significant risks that are relevant to the Foundation are as follows:

(a) **Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Cash is held in creditworthy financial institutions.

(b) **Liquidity risk**

Liquidity risk is the risk that the Foundation will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Foundation manages its liquidity risk by maintaining short-term investments which have short-term maturities and are readily convertible to known amounts of cash. The Foundation also prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

(c) **Market risk**

Market risk is the risk that changes in market prices, as a result of changes in foreign exchange rates, interest rates and equity prices, will affect the Foundation's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while maximizing the return.

(d) **Currency risk**

The Foundation may make investments in foreign securities, which are exposed to currency risk due to fluctuations in foreign exchange rates. The objective of the Foundation's investment policy is to control currency risk by maintaining a geographically diversified portfolio.

(e) **Interest rate risk**

Interest rate risk relates to the risk that changes in interest rates will affect the fair value or future cash flows of financial instruments held by the Foundation. The short-term interest-bearing investments held by the Foundation have a limited exposure to interest rate risk due to their short-term maturity. The Foundation has formal policies and procedures that establish target asset mix, minimum credit ratings and varying terms of the securities held.

(f) **Other price risk**

The Foundation invests its various funds according to an Investment Policy Statement approved by the Board of Directors. The Investment Policy Statement applies to all investments held in the Endowment Fund and Operating and Programme Fund and it includes restrictions regarding the minimum and maximum amount of equities, fixed income, and alternative investments. The diversification across various asset classes is designed to decrease the volatility of portfolio returns.

14. **Capital management**

As a nonprofit organisation, the Foundation's operations are reliant on revenues generated annually. A portion of the accumulated fund balances is retained as working capital which may be required from time to time due to timing delays in receiving primary funding. The remaining surplus is available for the use of the Foundation at the discretion of the Board.

The Foundation can make distributions up to 4% of the original contributed capital of the Endowment Central Fund as determined subject to the Board's approval. Under this facility, the Board did not approve distributions of capital from the Endowment Central Fund during the year ended 2023 or 2022.

Dividends from the investment in Sterling House are used to fund operations, therefore, the dividend received by the Bermuda Foundation Endowment Fund from Sterling House Limited during the year ended 2023 in the amount of \$250,000 (2021: \$500,000) was granted from the Bermuda Foundation Endowment Fund to the

Bermuda Foundation

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Year Ended June 30, 2023

(Bermuda Dollars)

Bermuda Foundation Central Fund.

15. *Registered charity*

During the period of its operations, the Foundation properly maintained its charitable status and was not in default of its obligations set out by the Charities Act 2014, the Charities Regulations 2014 or the Charities (Anti-Money Laundering, Anti-Terrorist Financing and Reporting) Regulation 2014. The Foundation received confirmation of a three-year charitable status renewal and approval for the period commencing October 29, 2021 to November 1, 2026.

16. *Commitments*

The Bermuda Foundation Central Fund also has a long-standing commitment in principle to support capacity building in the third sector. Historically, it has done so by way of operational funding support to the Beacon Awards Scheme grants for Bermuda National Standards Committee (BNSC) designated registered nonprofit organisations to be used to subsidize the costs of accreditation with the BNSC and nonprofit management and leadership certification delivered by the Inter-Agency Committee for Children and Families.