



# **Bermuda Foundation**

**Non-consolidated Financial Statements**  
**June 30, 2021**



## Independent Auditor's Report

To the Board of Directors and Members of Bermuda Foundation

### Our opinion

In our opinion, the non-consolidated financial statements present fairly, in all material respects, the non-consolidated financial position of Bermuda Foundation (the Charity) as at June 30, 2021, and the results of its non-consolidated 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 Charity's non-consolidated financial statements comprise:

- the statement of non-consolidated financial position as at June 30, 2021;
- the statement of non-consolidated operations and changes in fund balances for the year then ended;
- the statement of non-consolidated cash flows for the year then ended; and
- the notes to the non-consolidated financial statements, which include significant accounting policies and other explanatory information.

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### 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 non-consolidated 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 Charity 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 non-consolidated 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.



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## **Responsibilities of management for the non-consolidated financial statements**

Management is responsible for the preparation and fair presentation of the non-consolidated 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 non-consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the non-consolidated financial statements, management is responsible for assessing the Charity'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 Charity or to cease operations, or has no realistic alternative but to do so.

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## **Auditor's responsibilities for the audit of the non-consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the non-consolidated 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 non-consolidated 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 non-consolidated 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 Charity'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 Charity'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 non-consolidated 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 Charity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the non-consolidated financial statements, including the disclosures, and whether the non-consolidated 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.

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*PricewaterhouseCoopers Ltd.*  
**Chartered Professional Accountants**

**Hamilton Bermuda**

**December 1, 2021**

**Bermuda Foundation**  
**Non-consolidated Statement of Financial Position**  
**As at June 30, 2021**  
*(Bermuda Dollars)*

	Endowment Funds		Non-endowed Operating and Programme Funds			Total Funds		
	Central \$	Donor- Advised \$	Field of Interest / Agency \$	Central \$	Donor- Advised \$	Field of Interest / Agency \$	2021 Total \$	2020 Total \$
<b>Current assets</b>								
Cash and cash equivalents	-	-	57,017	881,861	4,030,490	169,987	5,139,355	3,541,875
Prepaid expenses	-	-	-	22,234	-	-	22,234	5,333
Receivables	-	-	-	74,870	-	-	74,870	5,707
	-	-	57,017	978,965	4,030,490	169,987	5,236,459	3,552,915
<b>Investments</b>								
Equity investment (note 5)	4,895,765	-	-	-	-	-	4,895,765	5,500,000
Investment funds held for trading (note 4)	2,423,370	2,791,837	883,393	830,864	-	14,082	6,943,546	3,902,064
	-	-	-	15,560	-	-	15,560	12,000
<b>Capital assets (note 6)</b>								
	7,319,135	2,791,837	940,410	1,825,389	4,030,490	184,069	17,091,330	12,966,979
<b>Total assets</b>								
	-	-	-	13,073	-	5,842	18,915	11,139
<b>Current liabilities</b>								
Accounts payable and accrued liabilities	-	-	-	155,000	12,859	37,000	204,859	320,385
Grants payable (note 7)	-	-	-	168,073	12,859	42,842	223,774	331,524
<b>Non-current liabilities</b>								
Deferred contributions (note 10)	-	-	-	177,693	-	-	177,693	118,867
	-	-	-	345,766	12,859	42,842	401,467	450,391
<b>Total liabilities</b>								
	7,319,135	2,791,837	940,410	-	4,017,631	141,227	15,210,240	11,148,841
<b>Fund Balances</b>								
Restricted fund balances (note 9)	-	-	-	1,479,623	-	-	1,479,623	1,367,747
Unrestricted fund balances	7,319,135	2,791,837	940,410	1,479,623	4,017,631	141,227	16,689,863	12,516,588
<b>Total fund balances</b>								
	7,319,135	2,791,837	940,410	1,825,389	4,030,490	184,069	17,091,330	12,966,979
<b>Total liabilities and fund balances</b>								

*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, 2021**  
*(Bermuda Dollars)*

	Endowment Funds			Non-ended Operating and Programme Funds			Total Funds	
	Central	Donor-Advised	Field of Interest / Agency	Central	Donor-Advised	Field of Interest / Agency	2021 Total	2020 Total
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Income</b>								
Gifts and contributions income	690	2,647,214	133,193	97,938	4,067,640	559,294	7,505,969	8,563,925
Gifts and contributions income - interfund	46,895	10,115	111,530	616,273	1,592,600	751,120	3,128,531	242,234
Management fee revenue	-	-	-	35,000	-	-	35,000	60,300
Management fee revenue - interfund	59,314	-	-	196,724	-	-	256,038	53,744
Net investment gains	496,182	408,397	167,135	157,562	-	3,442	1,232,718	135,323
Rental income	-	-	-	12,600	-	-	12,600	-
	603,081	3,065,724	411,858	1,116,097	5,660,240	1,313,856	12,170,856	9,055,526
<b>Expenditure</b>								
Operating expenses (note 8)	-	-	1,683	690,437	233,254	246,935	1,172,309	1,079,222
Management fee expenses - interfund	-	28,846	11,386	-	140,847	74,959	256,038	53,744
Share of net loss in Equity Investment	-	28,846	13,069	690,437	374,101	321,894	1,428,347	1,132,966
	(104,235)	-	-	-	-	-	(104,235)	-
<b>Excess of revenue over expenses before grants &amp; distributions</b>	498,846	3,036,878	398,789	425,660	5,286,139	991,962	10,638,274	7,922,560
<b>Grants and distributions</b>								
Grants and distributions	-	58,502	61,475	192,500	1,570,711	1,453,280	3,336,468	2,828,847
Grants and distributions - interfund	500,000	1,502,154	10,113	115,873	632,958	367,433	3,128,531	242,234
	500,000	1,560,656	71,588	308,373	2,203,669	1,820,713	6,464,999	3,071,081
<b>Excess (shortfall) of revenue over expenses after grants &amp; distributions</b>	(1,154)	1,476,222	327,201	117,287	3,082,470	(828,751)	4,173,275	4,851,479
<b>Fund balance – beginning of year</b>	7,320,289	1,315,615	637,143	1,367,747	906,642	969,152	12,516,588	7,665,109
<b>Interfund transfers</b>	-	-	(23,934)	(5,411)	28,519	826	-	-
<b>Fund balance – end of year</b>	7,319,135	2,791,837	940,410	1,479,623	4,017,631	141,227	16,689,863	12,516,588

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

**Bermuda Foundation**  
**Non-consolidated Statement of Cash Flows**  
**Year Ended June 30, 2021**  
*(Bermuda Dollars)*

	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
<b>Operating activities:</b>		
Excess of revenue over expenses	4,173,275	4,851,479
Items not affecting cash		
Amortization	12,000	1,481
Equity investments – contribution of shares	-	(3,233,127)
Change in unrealized (gains) losses	(1,232,718)	26,395
Share in net loss of equity investment	104,235	-
Changes in non-cash operating working capital		
Prepaid expenses	(16,901)	24,300
Receivables	(69,163)	212,647
Accounts payable and accrued liabilities	7,776	(21,786)
Grants payable	(115,526)	277,875
Deferred contributions	58,826	12,854
<b>Net cash provided by operating activities</b>	<b>2,921,804</b>	<b>2,152,118</b>
<b>Investing activities:</b>		
Dividend received from equity investment	500,000	-
Purchase of investment funds held for trading	(1,808,764)	(113,221)
Redemption of investment funds held for trading	-	19,883
Purchase of capital assets	(15,560)	(12,000)
<b>Net cash used in investing activities</b>	<b>(1,324,324)</b>	<b>(105,338)</b>
<b>Increase in cash and cash equivalents</b>	<b>1,597,480</b>	<b>2,046,780</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>3,541,875</b>	<b>1,495,095</b>
<b>Cash and cash equivalents, end of year</b>	<b>5,139,355</b>	<b>3,541,875</b>

*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, 2021**  
(Bermuda Dollars)

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**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, 2021**

*(Bermuda Dollars)*

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## **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.

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**Notes to the Non-consolidated Financial Statements**  
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*(Bermuda Dollars)*

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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 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.

Certain endowment, programme and operating funds have been reclassified to reflect the nature and intention of these funds more accurately. These changes have been reflected in the beginning of year fund balances.

The Foundation changed the classification of their funds during the year ended 2021. In prior years, 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. Comparative information has been reclassified to conform with the fund reporting adopted for the current year (Note 18).

(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).

**Bermuda Foundation**  
**Notes to the Non-consolidated Financial Statements**  
**Year Ended June 30, 2021**  
*(Bermuda Dollars)*

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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.

**(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 and grants payable.

**i) Cash and cash equivalents**

At June 30, 2021, the Foundation held cash and cash equivalents of \$5,139,355 (2020: \$3,541,875).

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:

<b>Assets/Liabilities</b>	<b>Measurement</b>
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

**Bermuda Foundation**  
**Notes to the Non-consolidated Financial Statements**  
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*(Bermuda Dollars)*

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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.

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.

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(Bermuda Dollars)

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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.

(g) **Capital assets**

The Foundation expenses all capital assets expenditure below a threshold of \$3,000 each, 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:

<b>Assets</b>	<b>Rate</b>
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, 2021, 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.

**Bermuda Foundation**  
Notes to the Non-consolidated Financial Statements  
**Year Ended June 30, 2021**  
(Bermuda Dollars)

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**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, 2021:

	Level 1	Level 2	Level 3	Total
Investment funds held for trading	-	6,943,546	-	6,943,546

The following table presents information about the Foundation's assets measured at fair value as of June 30, 2020:

	Level 1	Level 2	Level 3	Total
Investment funds held for trading	-	3,902,064	-	3,902,064

**4. Investment funds held for trading**

As of June 30, 2021, 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 management agreements of a few private investment funds to determine an estimate of the gift-in-kind for investment management fees. The management agreements reviewed provide compensation to the managers in the form of fees ranging from 0.5% to 1.35%. An average value of 1% 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.

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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, 2021 and June 30, 2020, a summary of Sterling House Limited balances are as follows:

	2021	2020
Total Assets	4,979,911	5,701,731
Total Liabilities	84,146	186,704
Total Shareholder's Equity	4,895,765	5,515,027
Net Loss	(119,261)	1,335,382
Cash Flows from Operating Activities	295,520	580,605
Cash Flows used in Financing Activities	(500,000)	(400,000)
Cash Flows from Investing Activities	-	(10,740)

**6. Capital assets**

The capital assets as at June 30, 2021 are as follows:

Description	Cost \$	Accumulated Depreciation \$	2021 Net Book Value \$
Computer equipment and software	100,250	(100,250)	-
Website development	46,160	(30,600)	15,560

The capital assets as at June 30, 2020 are as follows:

Description	Cost \$	Accumulated Depreciation \$	2020 Net Book Value \$
Computer equipment and software	100,250	(88,250)	12,000
Website development	30,600	(30,600)	-

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**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

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

	2021	2020
Compensation, Professional Consultants & Outside Contractors'	533,790	394,149
Programme Activities	25,044	54,712
Training & Professional Development	6,306	12,551
General and Administration	28,216	65,147
Information Management & Technology	51,340	21,136
Visibility & Communications	10,862	1,923
Facilities	34,879	7,275
	690,437	556,893

The amount of operating expenses pertaining to the Bermuda Central Foundation Fund is \$675,931 (2020: \$507,486).

**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.



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##### ***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.

##### ***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, 2021, the Central Operating Fund had a deferred contribution balance of \$177,693 (2020: \$118,867).

#### **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.

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**12. Related parties**

The following board members of BCF established or have an interest in the following donor funds at BCF. The total funds donated from related parties during 2021 was \$35,875 (2020: \$38,435) and all donations are arm's length transactions.

<b>Board member</b>	<b>Fund</b>
Peter Durhager	The Durhager Family Fund
Brian O'Hara	The O'Hara Family Fund
Brian O'Hara	National Dance Foundation Funds
Amanda Outerbridge	The Joan Darling Memorial Fund
Michael Schrum	Bermuda Community Foundation Central Operating Fund
Myra Virgil	The Quig Family Fund
Nikkita Scott	The Williams Legacy Fund
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.

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.

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(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 2021 or 2020.

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 2021 in the amount of \$500,000 was granted from the Bermuda Foundation Endowment Fund to the Bermuda Foundation Central Fund.

**15. Registered charity**

During the period of its operations, the Bermuda Community 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. During the 2017 financial year, the Bermuda Community Foundation's renewal application for charitable status was pending. The Foundation received confirmation of its charitable status renewal in the 2018 financial year.

**16. Commitments**

The Bermuda Foundation Central Fund has committed to pay two grants over the next two years as follows:

	2022	2023
Inter-Agency Committee for Children and Families (Nonprofit Leadership Programme)	11,000	11,000
HOME	20,000	20,000
	31,000	31,000

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The Bermuda Foundation Central Fund also has a long-standing commitment in principle to support capacity building in the third sector by way of 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.

**17. COVID-19**

The spread of COVID-19 (Coronavirus) during the year ended 2021 has had a significant impact on the Bermuda economy and the daily lives of its citizens and has the potential to adversely impact the operations of the Organisation and its ability to carry out certain of its revenue-generating activities. Whilst it is currently uncertain what the magnitude of the impact of COVID-19 to the Foundation may be, and the effect on the 2022 financial statements, management continue to monitor and evaluate this evolving situation and, in respect of the Foundation's operations, the need for measures to be taken to reduce operating costs and non-business critical expenditure as well as to optimize working capital.

**18. Change in Accounting Policy**

During the year, BCF has made a change in the accounting policies of the recognition of the contributions received within the Central Fund. The "Operating and Programme Funds: Donor Advised" and "Operating and Programme Funds: Field of Interest/Agency" have become two separate restricted funds. The "Operating and Programme Funds: Central" has become the General Fund. Any unrestricted contributions within these funds have been accounted for using the Restricted Fund method and any restricted contributions within these funds have been accounted for using the Deferral Method. BCF has retrospectively reclassified the prior year to reflect the current year accounting treatment to give better ability to accurately compare the data. Accordingly, the following Deferred Contributions within the Non-consolidated Statement of Financial Position have been reclassified to Restricted Fund Balances for the comparative June 30, 2020 numbers:

Central	\$	1,254,732
Donor-Advised	\$	882,992
Field of Interest/Agency	\$	972,760
Total	\$	<u>3,110,484</u>

The following reclasses have been made for the June 30, 2020 comparatives:

	<u>Audited F/S</u>	<u>Reclassified</u>	<u>Difference</u>
	\$	\$	\$
<b>Statement of Financial Position</b>			
Deferred contributions	3,229,351	118,867	3,110,484
Fund Balances	9,406,104	12,516,588	(3,110,484)
<b>Statement of Operations</b>			
Gifts and Contributions Income	8,576,779	8,563,925	12,854
<b>Statement of Changes in Fund Balances</b>			
Fund balance beginning of year	6,408,164	7,665,109	(1,256,945)
Contributed principal	(1,866,393)	-	(1,866,393)