

BERMUDA HOUSING TRUST

Financial Statements

March 31, 2024



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BERMUDA HOUSING TRUST

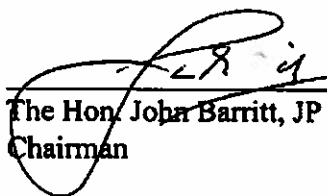
Management's Responsibility for the Financial Statements

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

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

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

The accompanying Independent Auditor's Report is presented herein.


The Hon. John Barritt, JP
Chairman


Mr. Marco Bertoli, CPA, CA
Trustee, Finance Committee



Office of the Auditor General

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of the Bermuda Housing Trust

Opinion

I have audited the financial statements of the Bermuda Housing Trust, which comprise the statement of financial position as at March 31, 2024, and the statements of operations and accumulated surplus, remeasurement gains and losses, change in net debt and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bermuda Housing Trust as at March 31, 2024, and the results of its operations, remeasurement gains and losses, changes in net debt and its cash flows for the year then ended in accordance with public sector accounting standards generally accepted in Bermuda and Canada.

Basis for Opinion

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with public sector accounting standards generally accepted in Bermuda and Canada, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with auditing standards generally accepted in Bermuda and Canada, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements (whether due to fraud or error), design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than from one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bermuda Housing Trust's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going-concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bermuda Housing Trust's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Bermuda Housing Trust to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements (including the disclosures), and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during the audit.

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

A further description of the auditor's responsibilities for the audit of the financial statements is located at the Office of the Auditor General website at: www.oagbermuda.bm. This description forms part of my auditor's report.



Hamilton, Bermuda
December 5, 2024

Heather Thomas, CPA, CFE, CGMA
Auditor General

BERMUDA HOUSING TRUST
STATEMENT OF FINANCIAL POSITION
As at March 31, 2024

	2024	2023
	\$	\$
FINANCIAL ASSETS		
Cash and cash equivalents (Note 3)	1,498,804	1,870,778
Accounts receivable, net (Notes 4, 11(a))	18,000	12,252
Portfolio investments (Note 5)	828,888	738,403
	<u>2,345,692</u>	<u>2,621,433</u>
LIABILITIES		
Accounts payable and accrued liabilities (Note 11(b))	124,997	96,495
Rental deposits (Note 11(b))	104,997	106,597
Deferred rental income (Note 11(b))	14,609	16,166
Long-term debt (Note 7)	2,758,554	3,575,781
	<u>3,003,157</u>	<u>3,795,039</u>
NET DEBT	<u>(657,465)</u>	<u>(1,173,606)</u>
NON-FINANCIAL ASSETS		
Security deposit	2,660	-
Prepaid expenses	12,189	12,189
Tangible capital assets (Note 6)	11,533,954	12,128,842
	<u>11,548,803</u>	<u>12,141,031</u>
	<u>10,891,338</u>	<u>10,967,425</u>
ACCUMULATED SURPLUS		
Accumulated surplus is comprised of:		
Accumulated surplus from operations	10,534,394	10,697,337
Accumulated remeasurement gains	356,944	270,088
	<u>10,891,338</u>	<u>10,967,425</u>
CONTRACTUAL OBLIGATIONS (Note 15)		

The accompanying notes are an integral part of these financial statements

BERMUDA HOUSING TRUST
STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
For the year ended March 31, 2024

	2024 Budget (Note 13) \$	2024 Actual \$	2023 Actual \$
REVENUES			
Rental income	1,935,000	1,928,338	1,945,350
Investment income	12,500	21,229	23,561
Interest income	12,500	12,500	7,139
Contributions (Note 14)	-	1,000	6,000
	<u>1,960,000</u>	<u>1,963,067</u>	<u>1,982,050</u>
EXPENSES (Note 10)			
Amortization of tangible capital assets (Note 6)	-	754,611	807,732
Dr. Cann Park	345,000	480,332	320,303
Interest	170,000	174,938	188,757
General administration	273,199	169,141	131,551
Professional services	103,200	154,830	156,573
Ferguson Park	91,000	127,929	100,672
Elizabeth Hills	95,000	92,633	153,027
Purvis Park	59,000	85,918	100,505
Heydon Park	74,500	85,678	82,389
	<u>1,210,899</u>	<u>2,126,010</u>	<u>2,041,509</u>
ANNUAL DEFICIT	<u>(749,101)</u>	<u>(162,943)</u>	<u>(59,459)</u>
ACCUMULATED SURPLUS FROM OPERATIONS, BEGINNING OF YEAR		<u>10,697,337</u>	<u>10,756,796</u>
ACCUMULATED SURPLUS FROM OPERATIONS, END OF YEAR		<u>10,534,394</u>	<u>10,697,337</u>

The accompanying notes are an integral part of these financial statements

BERMUDA HOUSING TRUST
STATEMENT OF REMEASUREMENT GAINS AND LOSSES
For the year ended March 31, 2024

	2024	2023
	\$	\$
ACCUMULATED REMEASUREMENT GAINS, BEGINNING OF YEAR	<u>270,088</u>	<u>373,068</u>
Unrealized gains (losses) attributable to:		
Portfolio investments	86,856	(102,980)
	<u>86,856</u>	<u>(102,980)</u>
Net remeasurement gains (losses) for the year	<u>86,856</u>	<u>(102,980)</u>
ACCUMULATED REMEASUREMENT GAINS, END OF YEAR	<u>356,944</u>	<u>270,088</u>

The accompanying notes are an integral part of these financial statements

BERMUDA HOUSING TRUST
STATEMENT OF CHANGE IN NET DEBT
For the year ended March 31, 2024

	2024	2023
	\$	\$
NET DEBT, BEGINNING OF YEAR	<u>(1,173,606)</u>	<u>(1,375,586)</u>
Annual deficit	(162,943)	(59,459)
Acquisition of tangible capital assets (Note 6)	(159,723)	(447,663)
Amortization of tangible capital assets (Note 6)	754,611	807,732
Addition to prepaid expenses	(12,189)	(12,189)
Use of prepaid expenses	12,189	16,539
Addition of security deposit	(2,660)	-
Net remeasurement gains (losses)	<u>86,856</u>	<u>(102,980)</u>
Change in net debt during the year	<u>516,141</u>	<u>201,980</u>
NET DEBT, END OF YEAR	<u>(657,465)</u>	<u>(1,173,606)</u>

The accompanying notes are an integral part of these financial statements

BERMUDA HOUSING TRUST
STATEMENT OF CASH FLOWS
For the year ended March 31, 2024

	2024	2023
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Annual deficit	(162,943)	(59,459)
Adjustment for items not affecting cash:		
Amortization of tangible capital assets	754,611	807,732
	<u>591,668</u>	<u>748,273</u>
Changes in non-cash working capital:		
Increase in accounts receivable	(5,748)	(3,255)
Change in prepaid expenses	-	4,350
Increase in security deposit	(2,660)	-
Increase in accounts payable and accrued liabilities	28,502	7,148
Decrease in rental deposits	(1,600)	(1,763)
(Decrease) increase in deferred rental income	(1,557)	3,142
	<u>608,605</u>	<u>757,895</u>
CASH FLOWS USED IN INVESTING ACTIVITIES		
Addition to portfolio investments	(3,629)	(5,962)
	<u>(3,629)</u>	<u>(5,962)</u>
CASH FLOWS USED IN CAPITAL ACTIVITIES		
Purchase of tangible capital assets	(159,723)	(447,663)
	<u>(159,723)</u>	<u>(447,663)</u>
CASH FLOWS USED IN FINANCING ACTIVITIES		
Repayments of long-term debt (Note 7)	(817,227)	(395,472)
	<u>(817,227)</u>	<u>(395,472)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(371,974)	(91,202)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,870,778</u>	<u>1,961,980</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>1,498,804</u>	<u>1,870,778</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Unrestricted cash	598,804	733,463
Restricted cash	900,000	1,137,315
Total cash and cash equivalents	<u>1,498,804</u>	<u>1,870,778</u>
Interest paid	<u>176,243</u>	<u>187,268</u>

The accompanying notes are an integral part of these financial statements

BERMUDA HOUSING TRUST
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2024

1. AUTHORITY AND NATURE OF OPERATIONS

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Revenue recognition

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

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

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

(b) Donations

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

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

BERMUDA HOUSING TRUST
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2024

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(c) Cash and cash equivalents

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

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

(d) Accounts receivable

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

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

(e) Allowance for doubtful accounts

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

(f) Non-financial assets

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

(g) Tangible capital assets and amortization

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

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

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

BERMUDA HOUSING TRUST
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2024

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

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

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

(h) Borrowing costs

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

(i) Measurement uncertainty

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

(j) Financial instruments

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

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

BERMUDA HOUSING TRUST
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2024

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(j) Financial instruments (cont'd)

Cash and cash equivalents:

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

Portfolio investments:

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

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

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

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

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

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

Other assets and liabilities:

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

BERMUDA HOUSING TRUST
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2024

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(k) New and Amended Public Sector Accounting Standards

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

The Conceptual Framework for Financial Reporting in the Public Section – effective April 1, 2026, earlier adoption permitted
Financial Statement Presentation – Effective April 1, 2026, earlier adoption is permitted only if *The Conceptual Framework for Financial Reporting in the Public Sector* is also adopted at the same time.

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

3. CASH AND CASH EQUIVALENTS

	<u>2024</u>	<u>2023</u>
	\$	\$
Term deposits	500,000	400,000
Cash deposits	998,804	1,470,778
	<u>1,498,804</u>	<u>1,870,778</u>

Cash and cash equivalents of \$900,000 are subject to an externally imposed restriction by HSBC Bank Bermuda Limited (the “Bank”), giving the Bank a first security position over a deposit account, the loan servicing account, which was created to fund the maintenance sinking fund for Dr. Cann Park and pay the long-term debt (note 7). This account is not available for any other purposes without the approval of the Bank.

4. ACCOUNTS RECEIVABLE

The accounts receivable balance consists of the following:

	<u>2024</u>	<u>2023</u>
	\$	\$
Other receivables	11,866	8,780
Rent receivable	8,084	4,447
Allowance for doubtful accounts	(1,950)	(975)
	<u>18,000</u>	<u>12,252</u>

BERMUDA HOUSING TRUST
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2024

5. PORTFOLIO INVESTMENTS

	<u>2024</u>		<u>2023</u>	
	<u>Fair value</u>	<u>Cost</u>	<u>Fair value</u>	<u>Cost</u>
	\$	\$	\$	\$
Mutual funds (16,999 shares; 2023 – 16,833)	247,400	218,716	226,688	218,716
Bank of N.T. Butterfield & Son Limited (10,000 shares)	300,100	45,122	277,500	45,123
Butterfield Bermuda Fund Limited Series A (6,104 shares; 2023 – 6,015)	281,388	208,106	234,215	204,477
	<u>828,888</u>	<u>471,944</u>	<u>738,403</u>	<u>468,316</u>

The fair value hierarchy of the Trust's portfolio investments as at March 31, 2024 are as follow:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
	\$	\$	\$
Mutual funds	247,400	-	247,400
Bank of N.T. Butterfield & Son Limited	300,100	-	300,100
Butterfield Bermuda Fund Limited Series A	281,388	-	281,388
	<u>828,888</u>	<u>-</u>	<u>828,888</u>

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

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

BERMUDA HOUSING TRUST
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2024

6. TANGIBLE CAPITAL ASSETS

2024											
	Elizabeth Hills	Purvis Park	Heydon Park	Ferguson Park	Dr Cann Park	Westcott Cottage	Furniture & Equipment	Computer equipment & software	Office equipment	Leasehold Improvements	Total
Opening cost	1,323,609	988,392	932,348	3,225,551	16,019,779	329,329	41,092	16,786	14,099	41,166	22,932,151
Additions	15,550	14,171	0	0	130,002	0	0	0	0	0	159,723
Closing cost	1,339,159	1,002,563	932,348	3,225,551	16,149,781	329,329	41,092	16,786	14,099	41,166	23,091,874
Opening accumulated amortization	1,088,024	798,803	872,082	1,800,261	6,106,484	24,512	41,092	16,786	14,099	41,166	10,803,309
Amortization	74,713	58,181	7,247	109,088	497,149	8,233	0	0	0	0	754,611
Closing accumulated amortization	1,162,737	856,984	879,329	1,909,349	6,603,633	32,745	41,092	16,786	14,099	41,166	11,557,920
Net book value	176,422	145,579	53,019	1,316,202	9,546,148	296,584	0	0	0	0	11,533,954

2023											
	Elizabeth Hills	Purvis Park	Heydon Park	Ferguson Park	Dr Cann Park	Westcott Cottage	Furniture & Equipment	Computer equipment & software	Office equipment	Leasehold Improvements	Total
Opening cost	1,149,087	950,199	932,348	3,196,187	15,814,195	329,329	41,092	16,786	14,099	41,166	22,484,488
Additions	174,522	38,193	0	29,364	205,584	0	0	0	0	0	447,663
Closing cost	1,323,609	988,392	932,348	3,225,551	16,019,779	329,329	41,092	16,786	14,099	41,166	22,932,151
Opening accumulated amortization	980,153	731,567	859,320	1,694,285	5,600,830	16,279	41,092	16,786	14,099	41,166	9,995,577
Amortization	107,871	67,236	12,762	105,976	505,654	8,233	0	0	0	0	807,732
Closing accumulated amortization	1,088,024	798,803	872,082	1,800,261	6,106,484	24,512	41,092	16,786	14,099	41,166	10,803,309
Net book value	235,585	189,589	60,266	1,425,290	9,913,295	304,817	0	0	0	0	12,128,842

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

BERMUDA HOUSING TRUST
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2024

7. LONG-TERM DEBT

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

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

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

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

Payments to the maintenance sinking fund (note 3) amounted to \$257,259 (2023 – \$257,260).

The maintenance sinking fund is available for the following purposes:

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

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

BERMUDA HOUSING TRUST
NOTES TO THE FINANCIAL STATEMENTS
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7. LONG-TERM DEBT (cont'd)

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

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

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

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

On August 29, 2023, a new term loan facility was agreed with the Bank of up to \$3,000,000 for a term of 5 years from July 6, 2023, at 1% interest rate annually above the Bank's Base Rate. Repayment in monthly installment of \$48,562 inclusive of interest, representing amortization schedule of approximately 8 years. Other terms and conditions remained similar to the existing loan.

Principal and interest payments made by the Trust during the year amounted to \$817,227 (2023 – \$395,472) and \$176,243 (2023 – \$187,268), respectively.

Interest payable on long-term debt included on the statement of financial position at March 31, 2024 was \$11,554 (2023 – \$12,858).

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

	\$
2025	420,000
2026	440,000
2027	470,000
2028-2029	<u>1,448,554</u>
	<u>2,758,554</u>

BERMUDA HOUSING TRUST
NOTES TO THE FINANCIAL STATEMENTS
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8. RELATED PARTY TRANSACTIONS

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

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

Significant transactions with the Government and other related parties include:

	Transactions for the year		Due at year-end	
	2024	2023	2024	2023
	\$	\$	\$	\$
Revenue and receivables:				
Subsidized rent	954,758	954,642	-	-
Donated trustee fees	1,000	1,000	-	-
	<u>955,758</u>	<u>955,642</u>	<u>-</u>	<u>-</u>
Expenses and payables:				
Social insurance	2,155	1,868	575	287
Payroll tax	-	1,035	731	943
	<u>2,155</u>	<u>2,903</u>	<u>1,306</u>	<u>1,230</u>

9. EMPLOYEE FUTURE BENEFITS

(a) Pension plan

The Trust has a defined contribution pension plan whereby the Trust matches employee contributions of 5% (2023 – 5%) of current salary levels. The Trust’s contributions to the plan during the year totaled \$3,209 (2023 – \$2,522). These contributions represent the total liability of the Trust. The pension scheme is administered by BF&M Limited.

(b) Compensated absences

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

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

BERMUDA HOUSING TRUST
NOTES TO THE FINANCIAL STATEMENTS
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9. EMPLOYEE FUTURE BENEFITS (cont'd)

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

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

10. EXPENSES BY OBJECT

The following is a summary of expenses by object:

	2024	2023
	\$	\$
Amortization of tangible capital assets (note 6)	754,611	\$ 807,732
Repairs and maintenance	674,087	570,338
Interest	174,938	188,757
Consulting fees	109,865	108,603
Insurance	99,783	99,716
Salaries and employee benefits	88,544	91,362
Water and sewage	65,699	58,278
Telephone and electricity	45,447	37,555
Office	33,179	12,133
Support services	30,898	33,971
Rent	27,599	12,000
Audit fees	14,067	14,000
Trustees' fees	3,950	4,400
Bank charges and fees	2,058	1,604
Bad debt	975	1,060
Miscellaneous	310	-
	<u>2,126,010</u>	<u>2,041,509</u>

11. FINANCIAL RISK MANAGEMENT

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

BERMUDA HOUSING TRUST
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11. FINANCIAL RISK MANAGEMENT (cont'd)

(a) Credit risk

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

(i) Cash and cash equivalents

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

(ii) Accounts receivable

Accounts receivable consists of receivables from rental units, undeposited funds and interest receivable. The Trust's credit risk arises from the possibility that a counterparty which owes the Trust money is unable or unwilling to meet its obligations in accordance with the terms and conditions in the contracts with the Trust, which would result in a financial loss for the Trust. This risk is mitigated through established credit management techniques, including monitoring counterparty's creditworthiness, obtaining references and taking security deposits. In the year ended March 31, 2024, the maximum credit risk to which the Trust is exposed is equal to the carrying value of its accounts receivable.

The amounts outstanding at the year end were as follow:

	Current \$	31-90 days \$	Over 90 days \$	Total \$
Accounts receivable	9,585	4,248	6,117	19,950
Less: allowance for uncollectible accounts	-	-	(1,950)	(1,950)
Net receivables	<u>9,585</u>	<u>4,248</u>	<u>4,167</u>	<u>18,000</u>

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

BERMUDA HOUSING TRUST
NOTES TO THE FINANCIAL STATEMENTS
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11. FINANCIAL RISK MANAGEMENT (cont'd)

(b) Liquidity risk

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

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

	Total	Current	31-90 days	90+ days
	\$	\$	\$	\$
Long-term debt (note7)	2,758,554	48,562	97,124	2,612,868
Rental deposits	104,997	425	-	104,572
Accounts payable and accrued liabilities	124,997	95,689	4,105	25,203
Deferred rental income	<u>14,609</u>	<u>8,608</u>	<u>1,846</u>	<u>4,155</u>
	<u>3,003,157</u>	<u>153,284</u>	<u>103,075</u>	<u>2,746,798</u>

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

(c) Market risk

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

(i) Foreign exchange risk

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

(ii) Interest rate risk

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

BERMUDA HOUSING TRUST
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2024

11. FINANCIAL RISK MANAGEMENT (cont'd)

(c) Market risk (cont'd)

(iii) Price risk

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

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

12. CAPITAL MANAGEMENT

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

13. BUDGET

The amounts represent the operating cash flow budget approved by the Board on March 16, 2023.

14. CONTRIBUTIONS

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

	<u>2024</u>	<u>2023</u>
	\$	\$
Restricted	-	5,000
Unrestricted	<u>1,000</u>	<u>1,000</u>
Total contributions	<u>1,000</u>	<u>6,000</u>

Restricted contributions were received from Wesley Methodist Church in 2023 for the purchase and installation of deadbolts at all units of Elizabeth Hills property as deemed required by the trustees.

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

BERMUDA HOUSING TRUST
NOTES TO THE FINANCIAL STATEMENTS
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15. CONTRACTUAL OBLIGATIONS

Effective May 1, 2023, the Trust entered into a three-year lease for office space. As at year-end, the remaining obligation under the lease is \$55,463 (portion on service charge may change).

Effective February 20, 2023, the Trust entered into a two-year contract for services of Executive Director. As at year-end, the remaining minimum obligation under the contract is \$94,600.

16. SUBSEQUENT EVENTS

a) On May 31, 2024, a contract to re-caulk and paint Dr. Cann Park was signed with Koba Industries, for over \$400,000.

b) Work at Dr. Cann Park

The services of an Engineer have been provided by the Government to prepare a 5-year maintenance plan / Condition survey for Dr. Cann Park. The report dated July 31st, 2024, identifies the critical areas of infrastructure requiring remediation and estimates that expenditure to remediate and improve the infrastructure could cost as much as 2.3 million dollars over the next 5 years.

As of October 31, 2024, there are 16 vacant units at Dr. Cann Park pending remediation. The safest course of action is to remediate the unoccupied units as work proceeds, bearing in mind that the tenants are seniors. The vacant units will be made available to new residents in 2025 as soon as the necessary work is completed.