

BERMUDA COLLEGE
FINANCIAL STATEMENTS
March 31, 2024



Management's Responsibility for the Financial Statements

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

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

The Bermuda College's Board of Governors through the Finance Committee, 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 the audit. The Finance Committee also reviews the financial statements before recommending approval by the Board of Governors. The financial statements have been approved by the Board of Governors and have been examined by the Office of the Auditor General.

The accompanying Independent Auditor's Report is presented herein.

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Dr. David Sam
President

A handwritten signature in black ink, appearing to read 'S. Wade'.

Scott Wade
Chief Finance and Business Development
Officer



Office of the Auditor General

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INDEPENDENT AUDITOR'S REPORT

To the Minister of Education

Opinion

I have audited the financial statements of the Bermuda College, which comprise the statement of financial position as at March 31, 2024, and the statements of operations, changes in net assets 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 College as at March 31, 2024, and the results of its operations, changes in its net assets and its cash flows for the year then ended in accordance with public sector accounting standards for government not-for-profit organizations 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 College 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 for government not-for-profit organizations 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 College'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 College or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bermuda College'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 College'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 College'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 College 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 management 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.

A handwritten signature in black ink, appearing to read "Heather T.", written in a cursive style.

Hamilton, Bermuda
September 30, 2024

Heather Thomas, CPA, CFE, CGMA
Auditor General

BERMUDA COLLEGE
STATEMENT OF FINANCIAL POSITION
As at March 31, 2024
(Expressed in Bermuda Dollars)

	2024	2023
	\$	\$
CURRENT ASSETS		
Cash and cash equivalents	2,743,360	3,567,090
Student fees receivable (note 14(a)(iii))	289,206	236,651
Other receivables (note 14(a)(iii))	445,965	540,212
Prepaid expenses	314,305	299,142
Due from the Coco Reef Resorts Limited (notes 13, 14(a)(iii))	206,721	182,581
Due from the Government of Bermuda (notes 10(c), 14(a)(iii))	336,023	369,411
Inventories	223,878	236,992
	<u>4,559,458</u>	<u>5,432,079</u>
CAPITAL ASSETS (notes 6, 12)	18,060,116	18,906,687
RESTRICTED ASSETS (notes 4, 5, 10(b))	242,354	1,010,022
	<u>22,861,928</u>	<u>25,348,788</u>
CURRENT LIABILITIES		
Accounts payable and accrued expenses (note 14(b))	1,434,345	1,759,177
Deferred revenue (note 10 (c))	169,120	121,260
Post-employment benefits (notes 11(b), 14(b))	1,332,126	1,406,078
Due to the Government of Bermuda (note 10(c)), 14(b)	817,432	827,088
	<u>3,753,023</u>	<u>4,113,603</u>
DEFERRED CAPITAL CONTRIBUTIONS (notes 7, 12)	13,882,009	14,784,437
RESTRICTED CONTRIBUTIONS (note 5)	242,354	1,010,022
	<u>17,877,386</u>	<u>19,908,062</u>
NET ASSETS		
Net assets invested in capital assets (note 12)	13,663,724	12,793,438
Deficit	(8,679,182)	(7,352,712)
	<u>4,984,542</u>	<u>5,440,726</u>
	<u>22,861,928</u>	<u>25,348,788</u>

CONTRACTUAL OBLIGATIONS (note 15)



Dr. David Sam
President



Scott Wade
Finance and Business Development Officer

The accompanying notes are an integral part of these financial statements

BERMUDA COLLEGE
STATEMENT OF OPERATIONS
For the year ended March 31, 2024
(Expressed in Bermuda Dollars)

	2024	2023
	\$	\$
REVENUE		
Government grants (notes 3, 10(a))	14,608,646	15,203,900
Student fees	2,576,116	2,506,478
Amortization of deferred capital contributions (note 7)	1,716,857	1,538,354
Ancillary operations and other revenues (note 13)	1,089,816	1,269,461
Realized & unrealized gains	49,051	18,491
Interest	5,865	3,028
	<u>20,046,351</u>	<u>20,539,712</u>
EXPENSES (note 9)		
Academic studies	5,864,832	6,361,819
Academic services	6,017,293	5,995,416
Physical plant and maintenance	2,793,728	2,760,209
Administration	2,208,918	2,338,593
Amortization of capital assets (note 6)	1,993,978	1,782,587
Ancillary operations	616,335	712,415
Public relations	533,106	509,208
Insurance	395,699	390,200
Realized & unrealized losses	64,446	-
Other	14,200	13,189
	<u>20,502,535</u>	<u>20,863,636</u>
DEFICIENCY OF REVENUE OVER EXPENSES	<u>(456,184)</u>	<u>(323,924)</u>

The accompanying notes are an integral part of these financial statements

BERMUDA COLLEGE
STATEMENT OF CHANGES IN NET ASSETS
For the year ended March 31, 2024
(Expressed in Bermuda Dollars)

2024

	Invested in capital assets	Deficit	Total
	\$	\$	\$
BALANCE, BEGINNING OF YEAR	12,793,438	(7,352,712)	5,440,726
Deficiency of revenue over expenses	(277,121)	(179,063)	(456,184)
Investment in capital assets (note 12)	<u>1,147,407</u>	<u>(1,147,407)</u>	<u>-</u>
BALANCE, END OF YEAR	<u><u>13,663,724</u></u>	<u><u>(8,679,182)</u></u>	<u><u>4,984,542</u></u>

2023

	Invested in capital assets	Deficit	Total
	\$	\$	\$
BALANCE, BEGINNING OF YEAR	7,479,679	(1,715,029)	5,764,650
Deficiency of revenue over expenses	(244,233)	(79,691)	(323,924)
Investment in capital assets (note 12)	<u>5,557,992</u>	<u>(5,557,992)</u>	<u>-</u>
BALANCE, END OF YEAR	<u><u>12,793,438</u></u>	<u><u>(7,352,712)</u></u>	<u><u>5,440,726</u></u>

The accompanying notes are an integral part of these financial statements

BERMUDA COLLEGE
STATEMENT OF CASH FLOWS
For the year ended March 31, 2024
(Expressed in Bermuda Dollars)

	2024	2023
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Deficiency of revenue over expenses	(456,184)	(323,924)
Adjusted for:		
Amortization of capital assets	1,993,978	1,782,587
Amortization of deferred capital contributions	<u>(1,716,857)</u>	<u>(1,538,354)</u>
	(179,063)	(79,691)
Changes in non-cash working capital:		
(Increase) decrease in student fees receivable	(52,555)	29,446
Decrease (increase) in other receivables	94,247	(57,776)
Increase in prepaid expenses	(15,163)	(61,780)
Increase in due from the Coco Reef Resorts Limited	(24,140)	(28,114)
Decrease in due from the Government of Bermuda	33,388	303,048
Decrease (increase) in inventories	13,114	(12,431)
Decrease in accounts payable and accrued expenses	(324,832)	(213,657)
Increase (decrease) in deferred revenue	47,860	(347,675)
Decrease in post-employment benefits	(73,952)	(3,764)
Decrease in due to the Government of Bermuda	<u>(9,656)</u>	<u>(39,380)</u>
Cash flows used in operating activities	<u>(490,752)</u>	<u>(511,774)</u>
CASH FLOWS FROM CAPITAL ACTIVITIES		
Government contribution for capital asset acquisitions	365,000	175,000
Bermuda College Foundation grant	449,429	4,978,272
Purchase of capital assets	<u>(1,147,407)</u>	<u>(5,557,992)</u>
Cash flows used in capital activities	<u>(332,978)</u>	<u>(404,720)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Non-cash restricted assets	767,668	38,939
Restricted contributions	<u>(767,668)</u>	<u>(38,939)</u>
Cash flows from financing activities	<u>-</u>	<u>-</u>
DECREASE IN CASH AND CASH EQUIVALENTS	(823,730)	(916,494)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>3,567,090</u>	<u>4,483,584</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>2,743,360</u></u>	<u><u>3,567,090</u></u>
SUPPLEMENTAL INFORMATION:		
Interest received	<u>5,865</u>	<u>3,028</u>

The accompanying notes are an integral part of these financial statements

BERMUDA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2024

1 AUTHORITY

Bermuda College (the “College”) was established under the Bermuda College Act 1974 (the “Act”) to provide full and part-time education and training for persons over the compulsory school age. The College is managed and controlled by a Board of Governors (the “Board”) under the provisions of this Act and amendments thereto.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

The financial statements of the College have been prepared in accordance with Public Sector Accounting Standards (“PSAS”) generally accepted in Bermuda and Canada for government not-for-profit organizations (“GNFPOs”), as issued by the Public Sector Accounting Board (“PSAB”).

For financial reporting purposes, the College is classified as a government not-for-profit organization and has adopted accounting policies appropriate for the classification. The policies considered to be particularly significant are as follows:

(b) Revenue recognition

Operating grants from the government are recognized as revenue in the year to which they relate. Grants approved but not received at the end of the fiscal year are accrued. Where a portion of a grant relates to a future year, it is deferred and recognized in the subsequent year.

Revenue from student tuition fees and contract training are recognized as revenue to the extent that the related courses and services are provided to the student or client within the fiscal year of the College.

Revenue from ancillary operations are recognized when products are delivered or services are provided to the student or client, and collection is reasonably assured.

The College follows the deferral method of accounting for contributions.

Externally restricted contributions other than endowment contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the acquisition of capital assets are deferred and amortized into revenue on a straight-line basis at a rate corresponding with the amortization rate for the related capital assets. Unrestricted contributions are recognized as revenue when received or receivable.

Restricted investment income is recognized as revenue in the year in which the related expenses are recognized. Unrestricted investment income is recognized as revenue when earned.

Rental income is recorded as revenue and included in the ancillary operations and other revenues. Rental income received in advance is deferred and recognized as revenue when earned. Rental income is earned evenly over the term of lease on a monthly basis.

(c) Cash and cash equivalents

Cash and cash equivalents are comprised of cash on hand and 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.

(d) Inventories

Inventories consist primarily of items held for resale in the book store. Inventories are valued at the lower of cost and net realizable value. Cost is determined using the first-in, first-out method.

BERMUDA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2024

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Capital assets

Purchased capital assets are recorded at cost less accumulated amortization. Contributed capital assets are recorded at cost at the date of contribution. Repairs and maintenance costs are charged to expenses. Betterments, which extend the estimated life of an asset, are capitalized. When a capital asset no longer contributes to the College's ability to provide services, its carrying amount is written down to its residual value. Land is not amortized and the remaining capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Buildings and car parks	- 40 years and 25 years, respectively
Furniture and fixtures	- 10 years
Equipment	- 4 years for computers and 5 years for other equipment
Laptop project equipment	- 3 years
Assets under construction	- held at cost and not amortized until ready for use

The College assesses its capital assets to determine if the future economic benefits associated with each capital asset is less than its net book value. If the future economic benefit is less than the net book value of the capital asset, the cost of the capital asset is adjusted to reflect this decline in value. In the current year, no adjustment in value for any capital asset was required (2023 - \$nil).

(f) Financial instruments

The College classifies its financial instruments as either fair value, cost or amortized cost. The College's accounting policy for each category is as follows:

(i) Fair Value

This category includes money market funds and equity instruments quoted in an active market. The College has designated its bond portfolio that would otherwise be classified into the amortized cost category at fair value as the College manages and reports performance of it on a fair basis.

They are initially recognized at cost and subsequently carried at fair value. Unrealized changes in fair value are included in restricted contributions until they are realized, then transferred to the statement of operations.

Unrealized changes in fair value on restricted assets are recognized as a liability until the criterion attached to the restrictions has been met.

Transaction costs related to financial instruments in the fair value category are expensed as incurred.

Where a decline in fair value is determined to be other than temporary, the amount of the loss is removed from accumulated re-measurement gains and losses and recognized in the statement of operations. On sale, the amount held in accumulated re-measurement gains and losses associated with that instrument is removed from net assets and recognized in the statement of operations.

BERMUDA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2024

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Financial instruments (continued)

(ii) Cost or amortized cost

Cash and cash equivalents are recognized at cost. Student fees receivable, other receivables, due from Coco Reef Resorts Limited, due from the Government of Bermuda, fixed deposits, money market funds, restricted cash, accounts payable and due to the Government of Bermuda are initially recognized at cost and subsequently carried at amortized cost using the effective interest rate method, less any impairment losses on financial assets.

Transaction costs related to financial instruments in the cost or amortized cost category are added to the carrying value of the instrument when initially recognized.

Write-downs on financial assets in the amortized cost category are recognized when the amount of a loss is known with sufficient precision, and there is no realistic prospect of recovery. Financial assets are then written down to net recoverable value with the write-down being recognized in the statement of operations.

(g) Use of estimates

The preparation of financial statements in conformity with PSAS for GNFPOs requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year.

Areas of key estimation include determination of fair value for long-term investments, allowance for doubtful accounts, useful lives of capital assets and actuarial estimation of post-employment benefits and compensated absences liabilities. Actual results could differ from these estimates.

(h) Post-employment benefits

Post-employment salaries paid to employees upon retirement is reflected through an adjustment to the actuarial liability. Annual adjustments to the liability are booked to employee benefits expense and shown in administrative expenses on the statement of operations.

3 ECONOMIC DEPENDENCE

The College is economically dependent upon the Government of Bermuda (the "Government") for its operating revenue, cash flow, capital development and capital acquisitions.

The Bermuda Government has committed to a grant of \$14,653,900 for the year ended March 31, 2025.

BERMUDA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2024

4 FINANCIAL INSTRUMENT CLASSIFICATION

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities using the last bid price;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and,
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Classification as at March 31, 2024	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Money market funds	170,512	-	-	170,512
Equities	8,671	-	-	8,671
	<u>179,183</u>	<u>-</u>	<u>-</u>	<u>179,183</u>

Classification as at March 31, 2023	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Money market funds	910,012	-	-	910,012
Equities	36,839	-	-	36,839
	<u>946,851</u>	<u>-</u>	<u>-</u>	<u>946,851</u>

There were no transfers between any levels for the year ended March 31, 2024 (2023 - none).

5 RESTRICTED ASSETS AND CONTRIBUTIONS

The College receives funds from private sources to be used for the provisions of scholarships and support for other programs for the advancement of students' education. These funds are invested in equities, money market funds and fixed deposits. Restricted assets are reflected at fair value.

Changes in the restricted assets and contributions balance are as follows:

	2024 \$	2023 \$
Balance, beginning of year	1,010,022	1,048,961
Change in unrealized (loss) gain on investments	(64,446)	18,491
Realized gain on investments	49,051	-
Unrealized foreign exchange loss	(17)	(5,778)
Contributions and interest	2,958	1,570
Usage and transfers (note 10(b))	<u>(755,214)</u>	<u>(53,222)</u>
Balance, end of year	<u>242,354</u>	<u>1,010,022</u>

	2024 \$	2023 \$
Restricted assets and contributions are comprised of the following:		
Money market funds	170,512	910,012
Fixed deposits	63,171	63,171
Equities	<u>8,671</u>	<u>36,839</u>
	<u>242,354</u>	<u>1,010,022</u>

Unrealized (loss) gain on investments as at March 31, 2024 amounted to \$64,446 (2023 - gain of \$18,491).

BERMUDA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2024

6 CAPITAL ASSETS

	2024		Net Book Value
	Cost	Accumulated Amortization	
	\$	\$	
Buildings and car parks	47,681,031	36,177,635	11,503,396
Land	2,686,240	-	2,686,240
Equipment	17,926,611	15,201,194	2,725,417
Furniture and fixtures	5,151,846	4,279,979	871,867
Assets under construction	273,196	-	273,196
Laptop project equipment	1,179,182	1,179,182	-
	<u>74,898,106</u>	<u>56,837,990</u>	<u>18,060,116</u>

	2023		Net Book Value
	Cost	Accumulated Amortization	
	\$	\$	
Buildings and car parks	47,640,487	35,231,689	12,408,798
Land	2,686,240	-	2,686,240
Equipment	16,949,379	14,279,454	2,669,925
Furniture and fixtures	5,129,375	4,153,687	975,688
Assets under construction	166,036	-	166,036
Laptop project equipment	1,179,182	1,179,182	-
	<u>73,750,699</u>	<u>54,844,012</u>	<u>18,906,687</u>

The amortization expense for the year ended March 31, 2024 is \$1,993,978 (2023 - 1,782,587).

7 DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represent contributions made by the Government for the construction of the College and for the initial contents of the College as well as contributions made by the Bermuda College Foundation for the new career centre.

The contributions are amortized to revenue on the same basis as the amortized expense of the acquired capital assets.

Changes in the deferred capital contributions balance are as follows:

	2024	2023
	\$	\$
Balance, beginning of year	14,784,437	11,169,519
Bermuda College Foundation (note 10(b))	449,429	4,978,272
Government contributions (note 12)	365,000	175,000
Less: amounts amortized to revenue (note 12)	<u>(1,716,857)</u>	<u>(1,538,354)</u>
Balance, end of year	<u>13,882,009</u>	<u>14,784,437</u>

BERMUDA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2024

8 STUDENT FEES

In accordance with the College's policy of waiving fees for employees, seniors and high school students, full time fees in the amount of \$11,897 (2023 - \$13,747) were waived during the year.

9 EXPENSES BY OBJECT

	Budget	2024	2023
	\$	\$	\$
Salaries and wages	11,943,797	11,363,687	11,857,027
Supplies, utilities and other services	2,319,120	2,315,589	2,098,078
Amortization	1,993,978	1,993,978	1,782,587
Benefits and other compensation	1,727,102	1,505,802	1,618,581
Fees and contract services	1,511,986	1,206,454	1,352,332
Professional services	619,480	571,067	579,597
Insurance	395,000	395,699	390,200
Cost of sales	443,500	344,051	406,943
Other	322,797	323,430	270,291
Financial aid and internal awards	350,000	282,267	348,645
Foreign exchange & unrealized losses	74,798	74,798	14,389
Bad debt expense, net of recoveries	72,152	72,152	101,760
Professional development	92,350	53,561	43,206
	<u>21,866,060</u>	<u>20,502,535</u>	<u>20,863,636</u>

10 RELATED PARTY TRANSACTIONS

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

The College 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 to by the related parties.

Significant transactions with the Government are as follows:

(a) Government grants

The College received Government grants totaling \$14,653,900 (2023 - \$15,203,900) during the year. These are to be used for operations and capital expenditures (note 7).

Included in those grants are funding of \$300,000 (2023 - \$300,000) to be used for scholarships and awards to qualified students to undertake professional certificates and training at the College.

(b) Bermuda College Foundation

On October 25, 2018, the Bermuda College Foundation ("the Foundation") was incorporated as a company limited by guarantee. One of the objects for which the Foundation is formed and incorporated is to support the mission and priorities of the College by seeking funding from private, public and institutional sources so as to assist the College in meeting its strategic goals and objectives in the provision of full and part time education and training at post-secondary level.

The College and the Foundation entered into a Service Level Agreement which is effective February 1, 2019. Pursuant to the Agreement, the College will perform services as specified in the Agreement at no charge. These services are: IT equipment, telephone services and IT support; Office space, furniture, supplies, printer and utilities; Limited accounting and financial services; Human resources support; Limited graphic design, printing, limited communications and PR support; Back-up personnel when required for answering telephone calls. There were \$nil costs paid in 2024 (2023 - \$nil).

BERMUDA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2024

10 RELATED PARTY TRANSACTIONS (continued)

(b) Bermuda College Foundation (continued)

On July 28, 2021, the College entered into an agreement to advance \$300,000 to the Foundation for the purpose of completing renovations. The Foundation will begin to repay the College without interest after a \$200,000 loan entered into with Butterfield Bank is repaid in full and supplementary donations are received from external donors for those renovations. The outstanding loan balance at March 31, 2024 is \$300,000 (2023 \$300,000).

Bermuda College received capital contributions from Bermuda College Foundation totaling \$449,429 (2023 - \$4,978,272). This funding was restricted for the following purposes: Solar System \$385,725 (2023 \$nil); Automotive Training Programme \$51,293 (2023 \$73,410); Aquaponics Equipment \$7,511 (2023 \$27,663); Cafeteria \$4,900 (2023 \$nil); Athene CDC Building & IT \$nil (2023 \$3,721,481), CDC Testing Centre \$nil (2023 \$536,003), LED Lighting fixtures \$nil (2023 \$399,264), IT \$nil (2023 \$87,507); Nusing lab Simulators \$nil (2023 \$75,000); Furniture \$nil (2023 \$43,386); and CCTV \$nil (2023 \$14,558). Capital contributions are deferred and recognized into revenue on the same basis as the amortization of the purchased asset.

The Starr Foundation gifted the Bermuda College 7 gifts totaling \$750,000 for the C.V. Starr Scholarship Fund, known as the Starr Foundation Awards. Given the creation of the Bermuda College Foundation to fundraise, administer, steward and distribute funds, in August 2023, the donor agreed to transfer the funds from the College to the Foundation. A total of \$756,240 (inclusive of gains) was transferred to the Foundation in October 2023 (note 5).

(c) Other amounts

	2024		2023	
	Revenue (Expense)	Receivable (Payable)	Revenue (Expense)	Receivable (Payable)
	\$	\$	\$	\$
Student fees	290,346	52,489	348,072	179,861
Capital grant	-	290,000	-	-
Training and development	57,947	24,380	130,840	226,771
Facility rentals	10,185	-	40,245	-
Textbooks	5,750	-	-	-
Pension	(785,114)	(126,044)	(823,934)	(133,146)
Social insurance	(191,956)	(27,730)	(191,633)	(27,802)
Health insurance	(572,829)	(96,135)	(582,477)	(94,525)
Other	(25,422)	(78,010)	(25,558)	(78,512)
Payroll tax	-	(144,177)	-	(147,767)
Property insurance	(345,336)	(345,336)	(345,336)	(345,336)

On March 31, 2024, the College provided an allowance of \$72,152 (2023 - \$37,221) for long outstanding balances receivable from the Government.

In March 2012, the College and the Department of Labour and Training, now the Department of Workforce Development (the "Department") entered into a Memorandum of Understanding. The general intent of the parties is to cooperate in professional certification and training initiative for the underemployed and unemployed in Bermuda. As part of the Government's Workforce Development Strategy, the Department has identified a need for training in accounting, information technology, secondary education, international business and nursing. The Department provided grants amounting to \$500,000, \$300,000, and \$200,000 in 2012, 2013 and 2014, respectively, which were initially recognized as deferred revenue. As at March 31, 2024, the outstanding balance of the deferred revenue amounted to \$108,566 (2023 - \$108,566). Grants recognized to student fees during the year to statement of operations amounted to \$nil (2023 - \$nil).

BERMUDA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2024

11 POST-EMPLOYMENT BENEFITS AND COMPENSATED ABSENCES

(a) Contributory defined benefit pension plan

Employees of the College are covered by the Public Service Superannuation Fund (the "Fund"), which is a defined benefit plan administered by the Government. A service pension is available with a minimum of eight years credited service. Contributions to the Fund are required from both the employees and the College, at a rate of 8% (2023 - 8%) each. These contributions represent the total liability of the College and are recognized in the accounts on an accruals basis.

The College is not required under present legislation to make contributions with respect to actuarial deficiencies of the Fund. The College's contributions to the Fund during the year totaled \$785,114 (2023 - \$823,934). These were expensed and paid during the year.

(b) Post-employment benefits

The College provides its employees with greater than ten years of service with continued pay for a period of up to twelve weeks subsequent to their retirement. The length of the continued pay period is dependent on the length of service of the employee. An actuarial valuation of the College's obligation for retirement leave was performed at March 31, 2024. The results were calculated using various long-term assumptions. The assumptions were Government's best estimates of future events, including inflation rates, interest rates, and wage and salary rates.

There are no assets associated with this plan, as the College provides fully for the benefit. Benefits paid by the College during 2024 were \$nil (2023 - \$97,769).

The major actuarial assumptions employed for the valuation are as follows:

(i) Discount rate

The present value as at March 31, 2024 of the future benefits was determined using a discount rate of 5.50% (2023 - 5.25%)

(ii) Compensation increase

The rate of compensation increase was varied and based on employee age and ranged from 3.20% to 5.75% (2023 - varied and based on employee age and ranged from 3.20% to 5.75%).

Based on employees currently eligible for this benefit, the actuarial valuation determined the accrued benefit liability as follows:

	2024	2023
	\$	\$
Accrued benefit obligation as previously reported, beginning of year	1,406,078	1,409,842
Prior year adjustment	(11,010)	-
Amortization of actuarial gain	(59,680)	(28,239)
Current period benefit cost	44,242	66,081
Interest on accrued benefits	48,112	56,163
Benefit payments	(95,616)	(97,769)
Accrued benefit obligation, end of year	<u>1,332,126</u>	<u>1,406,078</u>

The actuarial valuation uses an expected average remaining service life of 13 years (2023 - 13 years). The actuarial gains are amortized over the expected average remaining service life of the eligible employees.

BERMUDA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2024

11 POST-EMPLOYMENT BENEFITS AND COMPENSATED ABSENCES (continued)

(c) Compensated absences

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

(i) Maternity and paternity leave

Maternity and paternity leave do not accumulate or vest and therefore an expense and corresponding liability are only recognized when applied for and approved. Maternity or paternity leave expensed and paid during the year was \$69,402 (2023 - \$42,396).

(ii) Sick leave

Sick leave does not accumulate or vest and therefore an expense and corresponding liability are only recognized when an extended leave is applied for and approved. Extended sick leave expensed and paid during the year was \$nil (2023 - \$nil).

(iii) Vacation days

Vacation days accumulate and vest, therefore a liability is accrued each year. Normally a maximum of ten vacation days in the aggregate may be carried forward from one year to the next. The accrued vacation liability as at March 31, 2024 is \$261,881 (2023 - \$278,000), and is included in accounts payable and accrued expenses.

12 INVESTMENT IN CAPITAL ASSETS

The College's investment in capital assets is calculated as follows:

	2024	2023
	\$	\$
Capital assets	18,060,116	18,906,687
Add: Government contributions (note 7)	2,340,000	1,975,000
Add: Bermuda College Foundation contributions (note 7)	7,145,617	6,696,188
Less: Deferred capital contributions	<u>(13,882,009)</u>	<u>(14,784,437)</u>
Net assets invested in capital assets	<u>13,663,724</u>	<u>12,793,438</u>

Changes in net assets invested in capital assets is calculated as follows:

	2024	2023
	\$	\$
Amortization of deferred capital contributions (note 7)	1,716,857	1,538,354
Amortization of capital assets (note 6)	<u>(1,993,978)</u>	<u>(1,782,587)</u>
	(277,121)	(244,233)
Purchase of capital assets	<u>1,147,407</u>	<u>5,557,992</u>
Net change in investment in capital assets	<u>870,286</u>	<u>5,313,759</u>

BERMUDA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2024

13 COCO REEF RESORTS LIMITED

As at March 31, 2024, the cost of the property owned by the College and leased to Coco Reef Resorts Limited is \$6,315,342 (2023 - \$6,315,342) and accumulated amortization is \$6,219,609 (2023 - \$6,210,989).

Rent is based on the following base rent for the following periods:

- (a) A yearly base rent
- May 1, 2003 - April 30, 2008 – one peppercorn (if demanded);
 - May 1, 2008 - April 30, 2013 - \$200,000;
 - May 1, 2013 - April 30, 2018 - \$250,000;
 - May 1, 2018 - April 30, 2024 - \$300,000;
 - May 1, 2024 - April 30, 2053 - rent shall increase from \$300,000 by the percentage increase equivalent to the rate of increase in the consumer price index or to 110% of the passing rent whichever is greater and adjusted every seven years thereafter;
 - May 1, 2053 - April 30, 2128 - rent shall increase annually by an amount equivalent to the percentage increase in the consumer price index for the immediate preceding year provided that in any event that such rent shall be no less than the rent payable for the preceding year; and
- (b) A yearly turnover rent equal to 20% of gross annual profits commencing May 1, 2003.

Gross profits are as defined by Uniform System of Accounts for the Lodging Industry (USALI).

- (c) As at March 31, 2024 \$206,721 (2023 - \$182,581) was receivable from Coco Reef Resorts Limited representing charges for rent, water, chiller and electricity charges. Amounts charged in 2024 were \$489,709 (2023 - \$490,586) and included in ancillary operations and other revenue on the statement of operations.

14 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The College is exposed to various risks through its financial instruments. The Board has overall responsibility for the establishment and oversight of its risk management framework. The College manages its risks and risk exposures through sound business practices. The following analysis provides a measure of the risks at the reporting date, March 31, 2024.

(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. The College's maximum exposure to this risk is representative of the carrying value of its cash and cash equivalents, restricted assets, student fees and other receivables, due from Coco Reef Resorts Limited and due from the Government of Bermuda. Credit risk is managed as follows:

(i) Cash and cash equivalents

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

Cash and cash equivalents as at March 31, 2024 include \$58,500 in blocked funds held for business credit cards under the College to cover its credit exposure (2023 - \$58,500).

(ii) Restricted assets

The College has established an investment policy to mitigate credit risk associated with its restricted assets. Asset allocation guidelines in the College's investment policy are set to minimize risk by diversifying investments. The credit risk exposure on restricted assets is mitigated by the corresponding restricted contributions.

BERMUDA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2024

14 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(a) Credit Risk (continued)

(iii) Receivables

Receivables consist of student fees receivable, due from Coco Reef Resorts Limited, due from the Government of Bermuda, and other receivables. Credit risk is mitigated through established credit management techniques.

The College measures its exposures to credit risk based on how long the amounts have been outstanding. An allowance for doubtful accounts is set up based on the College's historical experience regarding collections.

The amounts outstanding at March 31, 2024 are as follows:

	Total \$	Current \$	Past Due		
			31 - 60 days \$	61 - 90 days \$	91+ days \$
Student fees receivable	991,898	36,645	22,617	96,883	835,753
Due from the Government of Bermuda	366,869	292,310	27,064	9,924	37,571
Due from Coco Reef Resorts Limited	206,721	21,172	168,080	17,469	-
Other receivables	471,914	53,262	4,030	3,885	410,737
Gross Receivables	2,037,402	403,389	221,791	128,161	1,284,061
Less: Allowance for doubtful accounts	(759,487)	-	-	-	(759,487)
Net receivables	1,277,915	403,389	221,791	128,161	524,574

The amounts outstanding at March 31, 2023 are as follows:

	Total \$	Current \$	Past Due		
			31 - 60 days \$	61 - 90 days \$	91+ days \$
Student fees receivable	855,562	35,387	35,634	46,418	738,123
Due from the Government of Bermuda	406,632	102,216	241,651	16,340	46,425
Due from Coco Reef Resorts Limited	182,581	16,883	156,756	6,855	2,087
Other receivables	571,414	158,791	4,050	800	407,773
Gross Receivables	2,016,189	313,277	438,091	70,413	1,194,408
Less: Allowance for doubtful accounts	(687,334)	-	-	-	(687,334)
Net receivables	1,328,855	313,277	438,091	70,413	507,074

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

BERMUDA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2024

14 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(b) Liquidity risk

Liquidity risk is the risk the College will not be able to meet all cash outflow obligations as they come due. The College mitigates this risk by monitoring cash activities and expected outflows through extensive budgeting.

The following table sets out the expected cash out flows of financial liabilities as at March 31, 2024:

	Future Due		
	Total	Within	
		1 year	1+ years
\$	\$	\$	
Post-employment benefits	1,332,126	99,178	1,232,948
Accounts payable	992,631	992,631	-
Due to the Government of Bermuda	817,432	817,432	-
Total financial liabilities	3,142,189	1,909,241	1,232,948

The following table sets out the expected cash out flows of financial liabilities as at March 31, 2023:

	Future Due		
	Total	Within	
		1 year	1+ years
\$	\$	\$	
Post-employment benefits	1,406,078	105,130	1,300,948
Accounts payable	1,256,578	1,256,578	-
Due to the Government of Bermuda	827,088	827,088	-
Total financial liabilities	3,489,744	2,188,796	1,300,948

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

(c) Market risk

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

(i) Foreign exchange risk

Foreign exchange risk is the risk that a variation in exchange rates between other foreign currencies and the Bermuda dollar will affect the College's operations and financial results.

The College's business transactions are mainly conducted in Bermuda dollars, however it does hold substantial US dollar denominated investments. The Bermuda dollar is pegged to the US dollar to eliminate the impact of any fluctuations in the exchange rates.

(ii) Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates.

Interest rate risk is limited to potential decreases on the interest rate offered on cash and cash equivalents and fixed deposits held with financial institutions. The College is exposed to changes in interest rates which may impact interest revenue on cash and cash equivalents and fixed deposits. As at March 31, 2024, a 1% movement in bank interest rates with all other variables held constant would have an estimated effect on cash flows from the College's savings accounts of \$964 (2023 - \$1,957) and fixed deposits accounts of \$1,235 (2023 - \$1,235). The Board does not consider this risk to be significant.

BERMUDA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2024

14 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(c) Market risk (continued)

(iii) Price risk

Price risk is the uncertainty associated with the valuation of investments arising from changes in money market funds and equity markets. The College is exposed to this risk through its money market funds and equity holdings within the restricted assets portfolio. At March 31, 2024, a 10% movement in stock markets with all other variables held constant would have an estimated effect on the carrying values of the College's equities of \$17,889 (2023 - \$94,685). This is mitigated by the corresponding restricted contributions.

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

15 CONTRACTUAL OBLIGATIONS

The College has entered into various operating leases, agreements and contracts with third parties for various services with periods ranging from one to four years. The combined annual costs over the next three fiscal years are estimated to be as follows:

	\$
2024 -2025	817,253
2025 -2026	180,729
2026 -2027	5,920

16 FUTURE CHANGES IN ACCOUNTING STANDARDS

A number of new standards and amendments to standards issued by PSAB are not yet effective and have not been applied in preparing these financial statements.

In particular, the following accounting standards are effective for financial statements prepared on or after April 1, 2026:

PS 1202 - Financial Statement Presentation

The Conceptual Framework for Financial Reporting in the Public Sector