



BERMUDA COLLEGE
FINANCIAL STATEMENTS
(with independent auditor's report thereon)
March 31, 2021



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.

A handwritten signature in black ink, appearing to read 'Dr. Duranda Greene'.

Dr. Duranda Greene
President

A handwritten signature in black ink, appearing to read 'Dwight Furbert'.

Dwight Furbert
VP, Finance & Operations

September 28, 2021
Date



Office of the Auditor General

Reid Hall, Penthouse
3 Reid Street
Hamilton HM 11, Bermuda

Tel: (441) 296-3148

Fax: (441) 295-3849

Email: oag@oagbermuda.bm

Website: www.oagbermuda.bm

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, 2021, 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, 2021, 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 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
September 28, 2021



Heather Thomas, CPA, CFE, CGMA
Auditor General

BERMUDA COLLEGE
STATEMENT OF FINANCIAL POSITION
As at March 31, 2021
(Expressed in Bermuda Dollars)

| | 2021 | 2020 |
|---|-------------------|-------------------|
| | \$ | \$ |
| CURRENT ASSETS | | |
| Cash and cash equivalents | 3,807,943 | 3,104,424 |
| Student fees receivable (note 14(a)(iii)) | 343,356 | 458,204 |
| Other receivables (note 14(a)(iii)) | 163,611 | 16,188 |
| Prepaid expenses | 189,408 | 208,796 |
| Due from the Coco Reef Resorts Limited (notes 13, 14(a)(iii)) | 207,786 | 327,155 |
| Due from the Government of Bermuda (notes 10(c), 14(a)(iii)) | 418,838 | 260,812 |
| Inventories | 271,158 | 205,457 |
| | <u>5,402,100</u> | <u>4,581,036</u> |
| CAPITAL ASSETS (notes 6, 12) | 14,909,119 | 15,555,788 |
| RESTRICTED ASSETS (notes 4, 5) | 2,331,247 | 2,399,134 |
| | <u>22,642,466</u> | <u>22,535,958</u> |
| CURRENT LIABILITIES | | |
| Accounts payable and accrued expenses (note 14 (b)) | 2,324,274 | 1,622,419 |
| Deferred revenue (note 10(c)) | 140,051 | 182,943 |
| Post-employment benefits (note 11, 14(b)) | 1,342,800 | 1,292,992 |
| Due to the Government of Bermuda (note 10(c)) | 568,677 | 1,334,633 |
| | <u>4,375,802</u> | <u>4,432,987</u> |
| DEFERRED CAPITAL CONTRIBUTIONS (notes 7, 12) | 10,619,489 | 11,404,213 |
| RESTRICTED CONTRIBUTIONS (note 5) | 2,331,247 | 2,399,134 |
| | <u>17,326,538</u> | <u>18,236,334</u> |
| NET ASSETS | | |
| Net assets invested in capital assets (note 12) | 6,182,013 | 5,701,575 |
| Deficit | (866,085) | (1,401,951) |
| | <u>5,315,928</u> | <u>4,299,624</u> |
| | <u>22,642,466</u> | <u>22,535,958</u> |
| CONTRACTUAL OBLIGATIONS (note 15) | | |

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

BERMUDA COLLEGE
STATEMENT OF OPERATIONS
For the year ended March 31, 2021
(Expressed in Bermuda Dollars)

| | 2021 | 2020 |
|---|-------------------|-------------------|
| | \$ | \$ |
| REVENUE | | |
| Government grants (notes 3, 10(a)) | 15,906,000 | 15,906,000 |
| Student fees (note 8) | 3,227,678 | 2,903,047 |
| Ancillary operations and other revenues (note 13) | 1,344,824 | 2,160,704 |
| Amortization of deferred capital contributions (note 7) | 1,127,107 | 1,193,859 |
| Realized & unrealized gains & losses | 18,561 | - |
| Interest | 3,959 | 42,223 |
| | <u>21,628,129</u> | <u>22,205,833</u> |
| EXPENSES (note 9) | | |
| Academic studies | 6,538,621 | 6,879,921 |
| Academic services | 6,350,033 | 7,039,185 |
| Administration | 2,355,615 | 2,575,107 |
| Physical plant and maintenance | 2,336,047 | 2,771,877 |
| Amortization of capital assets (note 6) | 1,352,872 | 1,509,659 |
| Ancillary operations | 752,503 | 907,842 |
| Public relations | 545,432 | 570,318 |
| Insurance | 374,706 | 419,869 |
| Other | 5,996 | 15,671 |
| | <u>20,611,825</u> | <u>22,689,449</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES | <u>1,016,304</u> | <u>(483,616)</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, 2021
(Expressed in Bermuda Dollars)

2021

| | Invested in capital assets \$ | Deficit \$ | Total \$ |
|---|-------------------------------------|-------------------------|-------------------------|
| BALANCE, BEGINNING OF YEAR | 5,701,575 | (1,401,951) | 4,299,624 |
| Excess (deficiency) of revenues over expenses | (225,765) | 1,242,069 | 1,016,304 |
| Investment in capital assets (note 12) | <u>706,203</u> | <u>(706,203)</u> | <u>-</u> |
| BALANCE, END OF YEAR | <u><u>6,182,013</u></u> | <u><u>(866,085)</u></u> | <u><u>5,315,928</u></u> |

2020

| | Invested in capital assets \$ | Deficit \$ | Total \$ |
|--|-------------------------------------|---------------------------|-------------------------|
| BALANCE, BEGINNING OF YEAR | 5,601,082 | (817,842) | 4,783,240 |
| Deficiency of revenues over expenses | (315,800) | (167,816) | (483,616) |
| Investment in capital assets (note 12) | <u>416,293</u> | <u>(416,293)</u> | <u>-</u> |
| BALANCE, END OF YEAR | <u><u>5,701,575</u></u> | <u><u>(1,401,951)</u></u> | <u><u>4,299,624</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, 2021
(Expressed in Bermuda Dollars)

| | 2021 | 2020 |
|---|--------------------|--------------------|
| | \$ | \$ |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Excess (deficiency) of revenues over expenses | 1,016,304 | (483,616) |
| Adjusted for: | | |
| Amortization of capital assets | 1,352,872 | 1,509,659 |
| Amortization of deferred capital contributions | <u>(1,127,107)</u> | <u>(1,193,859)</u> |
| | 1,242,069 | (167,816) |
| Changes in non-cash working capital: | | |
| Decrease in student fees receivable | 114,848 | 99,272 |
| (Increase) decrease in other receivables | (147,423) | 13,470 |
| Decrease in prepaid expenses | 19,388 | 10,093 |
| Decrease (increase) in due from the Coco Reef Resorts Limited | 119,369 | (153,652) |
| Increase in due from the Government of Bermuda | (158,026) | (152,536) |
| (Increase) decrease in inventories | (65,701) | 14,012 |
| Increase (decrease) in accounts payable and accrued expenses | 701,855 | (47,785) |
| Decrease in deferred revenue | (42,892) | (131,877) |
| Increase in post-employment benefits | 49,808 | 49,808 |
| (Decrease) increase in due to the Government of Bermuda | <u>(765,956)</u> | <u>312,522</u> |
| Cash flows provided by (used in) operating activities | <u>1,067,339</u> | <u>(154,457)</u> |
| CASH FLOWS FROM CAPITAL ACTIVITIES | | |
| Government contribution for capital asset acquisitions | - | 200,000 |
| Bermuda College Foundation grant | 342,383 | - |
| Purchase of capital assets | <u>(706,203)</u> | <u>(416,293)</u> |
| Cash flows (used in) capital activities | <u>(363,820)</u> | <u>(216,293)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Non-cash restricted assets | 67,887 | 30,958 |
| Restricted contributions | <u>(67,887)</u> | <u>(30,958)</u> |
| Cash flows provided by (used in) financing activities | <u>-</u> | <u>-</u> |
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 703,519 | (370,750) |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | <u>3,104,424</u> | <u>3,475,174</u> |
| CASH AND CASH EQUIVALENTS, END OF YEAR | <u>3,807,943</u> | <u>3,104,424</u> |
| SUPPLEMENTAL INFORMATION: | | |
| Realised gains | 5,283 | 11,609 |
| Interest received | <u>3,959</u> | <u>42,223</u> |

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

BERMUDA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2021

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, 2021

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Capital assets

Purchased capital assets are recorded at cost less accumulated amortization. Contributed capital assets are recorded at fair value 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 (2020 - \$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 value 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.

(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.

BERMUDA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2021

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Financial instruments (continued)

(ii) Cost or amortized cost (continued)

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 GNFPs 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, 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 recorded in 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 \$15,382,697 for the year ended March 31, 2022.

BERMUDA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2021

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, 2021 | Level 1 \$ | Level 2 \$ | Level 3 \$ | Total \$ |
|-------------------------------------|------------------|---------------|---------------|------------------|
| Money market funds | 1,699,006 | - | - | 1,699,006 |
| Equities | 42,260 | - | - | 42,260 |
| | <u>1,741,266</u> | <u>-</u> | <u>-</u> | <u>1,741,266</u> |

| Classification as at March 31, 2020 | Level 1 \$ | Level 2 \$ | Level 3 \$ | Total \$ |
|-------------------------------------|------------------|---------------|---------------|------------------|
| Money market funds | 1,690,210 | - | - | 1,690,210 |
| Equities | 59,754 | - | - | 59,754 |
| | <u>1,749,964</u> | <u>-</u> | <u>-</u> | <u>1,749,964</u> |

There were no transfers between Level 1 and Level 2 for the year ended March 31, 2021 (2020 - none). There were also no transfers in or out of Level 3 (2020 - none).

5 RESTRICTED ASSETS AND CONTRIBUTIONS

The College receives funds from private sources to be used for the provisions of scholarships, support for the Corange Science Center and 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:

| | 2021 \$ | 2020 \$ |
|---|------------------|------------------|
| Balance, beginning of year | 2,399,134 | 2,430,092 |
| Change in unrealized gain on investments | 13,279 | 24,192 |
| Unrealized foreign exchange gain (loss) | 6,262 | (1,739) |
| Realized gain on investments | 5,283 | 11,609 |
| Contributions and interest | 1,824 | 3,716 |
| Usage and transfers | (34,626) | (60,255) |
| Expenses related to Corange Science project | <u>(59,909)</u> | <u>(8,481)</u> |
| Balance, end of year | <u>2,331,247</u> | <u>2,399,134</u> |

| | 2021 \$ | 2020 \$ |
|---|------------------|------------------|
| Restricted assets and contributions are comprised of the following: | | |
| Money market funds | 1,699,006 | 1,690,210 |
| Fixed deposits | 589,981 | 649,170 |
| Equities | <u>42,260</u> | <u>59,754</u> |
| | <u>2,331,247</u> | <u>2,399,134</u> |

Unrealized gain on investments as at March 31, 2021 amounted to \$13,279 (2020 - \$24,192).

BERMUDA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2021

6 CAPITAL ASSETS

| | 2021 | | Net Book Value |
|---------------------------|-------------------|-----------------------------|-------------------|
| | Cost | Accumulated Amortization | |
| | \$ | \$ | |
| Buildings and car parks | 43,984,989 | 33,449,317 | 10,535,672 |
| Land | 2,686,240 | - | 2,686,240 |
| Equipment | 13,882,253 | 13,106,380 | 775,873 |
| Furniture and fixtures | 4,284,883 | 4,019,590 | 265,293 |
| Assets under construction | 646,041 | - | 646,041 |
| Laptop project equipment | 1,179,182 | 1,179,182 | - |
| | <u>66,663,588</u> | <u>51,754,469</u> | <u>14,909,119</u> |

| | 2020 | | Net Book Value |
|---------------------------|-------------------|-----------------------------|-------------------|
| | Cost | Accumulated Amortization | |
| | \$ | \$ | |
| Buildings and car parks | 42,104,017 | 30,647,483 | 11,456,534 |
| Land | 2,686,240 | - | 2,686,240 |
| Equipment | 15,617,315 | 14,591,217 | 1,026,098 |
| Furniture and fixtures | 4,271,590 | 3,983,715 | 287,875 |
| Assets under construction | 99,041 | - | 99,041 |
| Laptop project equipment | 1,179,182 | 1,179,182 | - |
| | <u>65,957,385</u> | <u>50,401,597</u> | <u>15,555,788</u> |

The amortization expense for the year ended March 31, 2021 is \$1,352,872 (2020 - \$1,509,659).

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:

| | 2021 | 2020 |
|------------------------------------|--------------------|--------------------|
| | \$ | \$ |
| Balance, beginning of year | 11,404,213 | 12,398,072 |
| Bermuda College Foundation | 342,383 | - |
| Government contributions | - | 200,000 |
| Less: amounts amortized to revenue | <u>(1,127,107)</u> | <u>(1,193,859)</u> |
| Balance, end of year | <u>10,619,489</u> | <u>11,404,213</u> |

BERMUDA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2021

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 \$14,308 (2020 - \$21,460) were waived during the year.

9 EXPENSES BY OBJECT

| | Budget | 2021 | 2020 |
|--|-------------------|-------------------|-------------------|
| | \$ | \$ | \$ |
| Salaries and wages | 11,538,178 | 11,795,797 | 11,986,066 |
| Supplies, utilities and other services | 2,372,604 | 1,759,586 | 2,187,909 |
| Benefits and other compensation | 1,741,554 | 1,739,597 | 1,759,139 |
| Fees and contract services | 1,642,486 | 1,505,998 | 1,746,485 |
| Amortization | 1,352,872 | 1,352,872 | 1,509,659 |
| Professional services | 723,160 | 686,357 | 1,114,395 |
| Cost of sales | 498,800 | 484,822 | 601,321 |
| Insurance | 490,000 | 374,706 | 419,869 |
| Financial aid and internal awards | 306,000 | 369,036 | 484,175 |
| Bad debt expense, net of recoveries | 283,279 | 283,639 | 145,345 |
| Other | 294,106 | 210,886 | 570,023 |
| Professional development | 179,550 | 37,536 | 155,503 |
| Foreign exchange losses | 10,993 | 10,993 | 8,232 |
| Rental | 4,000 | - | 1,328 |
| | <u>21,437,582</u> | <u>20,611,825</u> | <u>22,689,449</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 \$15,906,000 (2020 - \$16,106,000) during the year. These are to be used for operations and capital expenditures (note 7).

Included in those grants are funding of \$300,000 (2020 - \$300,000) to be used for scholarships and awards to qualified students to undertake professional certificates and training at the College.

BERMUDA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2021

10 RELATED PARTY TRANSACTIONS (continued)

(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 2021 (2020 - \$nil).

(c) Other amounts

| | 2021 | | 2020 | |
|--------------------------|----------------------|-------------------------|----------------------|-------------------------|
| | Revenue (Expense) | Receivable (Payable) | Revenue (Expense) | Receivable (Payable) |
| | \$ | \$ | \$ | \$ |
| Student fees | 446,651 | 35,058 | 556,260 | 67,720 |
| Training and development | 250,776 | 461,109 | 213,598 | 331,735 |
| Text books | - | 175 | - | 175 |
| Facility rentals | 38,325 | 410 | 36,995 | 410 |
| Pension | (852,742) | (141,965) | (859,699) | (287,177) |
| Social insurance | (197,847) | (36,818) | (202,050) | (98,062) |
| Health insurance | (610,680) | (107,586) | (615,398) | (220,140) |
| Other | (25,729) | (125,876) | (25,417) | (182,928) |
| Payroll tax | - | (156,432) | - | (158,835) |
| Property insurance | (345,103) | - | (387,491) | (387,491) |

On March 31, 2021, the College provided an allowance of \$77,914 (2020 - \$139,228) 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, 2021, the outstanding balance of the deferred revenue amounted to \$114,258 (2020 - \$130,286). Grants recognized to student fees during the year to statement of operations amounted to \$16,028 (2020 - \$30,684).

BERMUDA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2021

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% (2020 - 8%) each. These contributions represent the total liability of the College and are recognized in the accounts on an accrual 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 \$852,742 (2020 - \$859,699). 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, 2021. 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 2021 were \$nil (2020 - \$35,190).

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

(i) Discount rate

The present value as at March 31, 2021 of the future benefits was determined using a discount rate of 4.0% (2020 - 4.25%).

(ii) Compensation increase

The rate of compensation increase was varied and based on employee age and ranged from 3.45% to 6.00% (2020 - varied and based on employee age and ranged from 3.45% to 6.00%).

BERMUDA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2021

11 POST-EMPLOYMENT BENEFITS AND COMPENSATED ABSENCES (continued)

(b) Post-employment benefits (continued)

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

| | 2021 | 2020 |
|--|------------------|------------------|
| | \$ | \$ |
| Accrued benefit obligation as previously reported, beginning of year | 1,292,992 | 1,243,152 |
| Amortization of experience gain | (42,008) | (20,657) |
| Current period benefit cost | 60,802 | 54,777 |
| Interest on accrued benefits | 49,906 | 66,020 |
| Benefit payments | <u>(18,892)</u> | <u>(50,300)</u> |
| Accrued benefit obligation, end of year | <u>1,342,800</u> | <u>1,292,992</u> |

The actuarial valuation uses an expected average remaining service life of 13 years (2020 - 13 years). The actuarial gains are amortized over the expected average remaining service life of the eligible employees.

(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 \$nil (2020 - \$nil).

(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 (2020 - \$5,739).

(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. For the year ended March 31, 2021 however, the Board of Directors approved that employees were allowed to carryforward fifteen days. This decision was made, as a result of the higher than normal vacation days balances resulting from the ongoing pandemic. The accrued vacation liability as at March 31, 2021 is \$379,762 (2020 - \$268,515), and is included in accounts payable and accrued expenses.

BERMUDA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2021

12 INVESTMENT IN CAPITAL ASSETS

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

| | 2021 | 2020 |
|--|---------------------|---------------------|
| | \$ | \$ |
| Capital assets | 14,909,119 | 15,555,788 |
| Add: Government contributions (note 7) | 1,550,000 | 1,550,000 |
| Add: Bermuda College Foundation contributions (note 7) | 342,383 | - |
| Less: Deferred capital contributions | <u>(10,619,489)</u> | <u>(11,404,213)</u> |
| Net assets invested in capital assets | <u>6,182,013</u> | <u>5,701,575</u> |

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

| | 2021 | 2020 |
|---|--------------------|--------------------|
| | \$ | \$ |
| Amortization of deferred capital contributions (note 7) | 1,127,107 | 1,193,859 |
| Amortization of capital assets (note 6) | <u>(1,352,872)</u> | <u>(1,509,659)</u> |
| | (225,765) | (315,800) |
| Purchase of capital assets | <u>706,203</u> | <u>416,293</u> |
| Net change in investment in capital assets | <u>480,438</u> | <u>100,493</u> |

Certain capital assets were reclassified between categories compared with prior year. The net book value impact being \$32,447.

13 COCO REEF RESORTS LIMITED

As at March 31, 2021, the cost of the property owned by the College and leased to Coco Reef Resorts Limited is \$6,315,342 (2020 - \$6,315,342) and accumulated amortization is \$6,193,560 (2020 - \$6,081,688).

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, 2021 \$207,786 (2020 - \$327,155) was receivable from Coco Reef Resorts Limited representing charges for rent, chiller, water and electricity charges. Amounts charged in 2021 \$531,247 (2020 - \$764,217).

BERMUDA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2021

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, 2021.

(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, 2021 include \$58,500 in blocked funds held for business credit cards under the College to cover its credit exposure (2020 - \$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, 2021

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, 2021 are as follows:

| | Total \$ | Current \$ | Past Due | | |
|--|-------------|---------------|-----------------------|-----------------------|-------------------|
| | | | 31 - 60 days \$ | 61 - 90 days \$ | 91+ days \$ |
| Student fees receivable | 975,791 | 95,934 | 39,848 | 80,250 | 759,759 |
| Due from the Government of Bermuda | 496,752 | 74,275 | 135,009 | - | 287,468 |
| Due from Coco Reef Resorts Limited | 207,786 | 50,258 | 377 | 157,151 | - |
| Other receivables | 201,018 | 4,274 | 77,744 | - | 119,000 |
| Gross Receivables | 1,881,347 | 224,741 | 252,978 | 237,401 | 1,166,227 |
| Less: Allowance for doubtful accounts | (747,756) | - | - | - | (747,756) |
| Net receivables | 1,133,591 | 224,741 | 252,978 | 237,401 | 418,471 |

The amounts outstanding at March 31, 2020 are as follows:

| | Total \$ | Current \$ | Past Due | | |
|--|-------------|---------------|-----------------------|-----------------------|-------------------|
| | | | 31 - 60 days \$ | 61 - 90 days \$ | 91+ days \$ |
| Student fees receivable | 744,764 | 19,128 | 41,154 | 133,382 | 551,100 |
| Due from the Government of Bermuda | 400,040 | 28,350 | 149,786 | 22,726 | 199,178 |
| Due from Coco Reef Resorts Limited | 327,155 | 121,516 | 175,388 | 2,050 | 28,201 |
| Other receivables | 57,207 | 6,312 | 3,291 | 2,487 | 45,117 |
| Gross Receivables | 1,529,166 | 175,306 | 369,619 | 160,645 | 823,596 |
| Less: Allowance for doubtful accounts | (466,807) | - | (9,712) | (15,859) | (441,236) |
| Net receivables | 1,062,359 | 175,306 | 359,907 | 144,786 | 382,360 |

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, 2021

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, 2021:

| | Future Due | | |
|------------------------------------|------------------|------------------|------------------|
| | Total | Within | |
| | | 1 year | 1+ years |
| \$ | \$ | \$ | \$ |
| Post-employment benefits | 1,342,800 | 24,910 | 1,317,890 |
| Accounts payable | 1,447,904 | 1,447,904 | - |
| Due to the Government of Bermuda | 568,677 | 568,677 | - |
| Total financial liabilities | 3,359,381 | 2,041,491 | 1,317,890 |

The following table sets out the expected cash out flows of financial liabilities as at March 31, 2020:

| | Future Due | | |
|------------------------------------|------------------|------------------|------------------|
| | Total | Within | |
| | | 1 year | 1+ years |
| \$ | \$ | \$ | \$ |
| Post-employment benefits | 1,292,992 | 33,195 | 1,259,797 |
| Accounts payable | 1,113,597 | 1,113,597 | - |
| Due to the Government of Bermuda | 1,334,633 | 1,334,633 | - |
| Total financial liabilities | 3,741,222 | 2,481,425 | 1,259,797 |

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, 2021, 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 \$1,959 (2020 - \$1,956) and fixed deposits accounts of \$10,653 (2020 - \$10,679). The Board does not consider this risk to be significant.

BERMUDA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2021

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, 2021, 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 \$174,126 (2020 - \$174,596). 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:

| | |
|------------|---------|
| | \$ |
| 2021 -2022 | 737,646 |
| 2022 -2023 | 152,114 |
| 2023 -2024 | 5,250 |

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 standard are effective for financial statements prepared on or after April 1, 2021:

PS 1201 – Financial Statement Presentation
PS 2601 – Foreign Currency Translation
PS 3041 – Portfolio Investments
PS 3450 – Financial Instruments
PS 3280 – Asset Retirement Obligations
PS 3400 – Revenue

17 COVID-19 PANDEMIC

The College continues to closely monitor the evolution of this pandemic, including how it may affect its operations or financial conditions and its related economic, social, and public health implications remain uncertain. The College has not observed any material impact on its operations or financial position as a result of the COVID-19 outbreak at the issuance of these financial statements.

18 SUBSEQUENT EVENTS

On July 28th, 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.

