BERMUDA COLLEGE

FINANCIAL STATEMENTS

MARCH 31, 2019

BERMUDA COLLEGE
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2019
(Expressed in Bermuda Dollars)

	2019	2018
CURRENT ASSETS		
Cash and cash equivalents	$ 3,475,174	$ 3,667,978
Student fees receivable (note 13(a)(iii))	536,549	192,843
Other receivables (note 13(a)(iii))	50,585	68,239
Prepaid expenses	218,889	140,566
Due from Coco Reef Resorts Limited (notes 12, 13(a)(iii))	173,503	193,230
Due from the Government of Bermuda (notes 9, 13(a)(iii))	108,276	169,304
Inventories	219,469	197,642
	4,782,445	4,629,802
CAPITAL ASSETS (notes 6, 11)	16,649,154	17,540,057
RESTRICTED ASSETS (notes 4, 5)	2,430,092	2,505,756
	$ 23,861,691	$ 24,675,615
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 1,670,204	$ 1,125,514
Deferred revenue	314,820	288,136
Post-employment benefits (note 10)	1,243,152	1,210,024
Due to the Government of Bermuda (note 9)	1,022,111	1,271,909
	4,250,287	3,895,583
DEFERRED CAPITAL CONTRIBUTIONS (notes 7, 11)	12,398,072	13,071,890
RESTRICTED CONTRIBUTIONS (note 5)	2,430,092	2,505,756
	19,078,451	19,473,229
NET ASSETS		
Net assets invested in capital assets (note 11)	5,601,082	5,318,167
Deficit	(817,842)	(115,781)
	4,783,240	5,202,386
	$ 23,861,691	$ 24,675,615

CONTRACTUAL OBLIGATIONS (note 14)

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

BERMUDA COLLEGE
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2019
(Expressed in Bermuda Dollars)

	2019	2018
REVENUE		
Government grants (notes 3, 9)	$ 15,781,000	$ 15,781,000
Student fees (note 8)	3,200,684	2,761,674
Ancillary operations and other revenues	1,905,676	1,798,693
Amortization of deferred capital contributions (note 7)	1,173,818	1,056,123
Interest	6,085	3,769
	22,067,263	21,401,259
EXPENSES		
Academic studies	6,945,204	6,811,548
Academic services	6,691,979	6,433,515
Physical plant and maintenance	3,042,936	2,695,996
Administration	2,312,235	2,133,725
Amortization of capital assets (note 6)	1,523,038	1,474,161
Ancillary operations	947,277	911,503
Public relations	557,706	578,242
Insurance	451,221	450,608
Other	14,813	24,482
	22,486,409	21,513,780
DEFICIENCY OF REVENUES OVER EXPENSES	$ (419,146)	$ (112,521)

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, 2019
(Expressed in Bermuda Dollars)

	2019		
	Invested in capital assets	**Unrestricted net assets (deficit)**	**Total**
	$	**$**	**$**
BALANCE, BEGINNING OF YEAR	5,318,167	(115,781)	5,202,386
(Deficiency) excess of revenues over expenses	(349,220)	(69,926)	(419,146)
Investment in capital assets (note 11)	632,135	(632,135)	-
BALANCE, END OF YEAR	5,601,082	(817,842)	4,783,240

	2018		
	Invested in capital assets	**Unrestricted net assets (deficit)**	**Total**
	$	**$**	**$**
BALANCE, BEGINNING OF YEAR	5,090,774	209,013	5,299,787
Opening net aseets adjustment	-	15,120	15,120
(Deficiency) excess of revenues over expenses	(418,038)	305,517	(112,521)
Investment in capital assets (note 11)	645,431	(645,431)	-
BALANCE, END OF YEAR	5,318,167	(115,781)	5,202,386

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

BERMUDA COLLEGE
STATEMENT OF CHANGES IN CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2019
(Expressed in Bermuda Dollars)

	2019 $	2018 $
CASH FLOWS FROM OPERATING ACTIVITIES		
Deficiency of revenues over expenses	$ (419,146)	$ (112,521)
Adjusted for:		
Amortization of capital assets	1,523,038	1,474,161
Amortization of deferred capital contributions	(1,173,818)	(1,056,123)
Opening net assets adjustment	-	15,120
	(69,926)	320,637
Changes in non-cash working capital:		
Increase in student fees receivable	(343,706)	(39,168)
Decrease in other receivables	17,654	30,114
Increase in prepaid expenses	(78,323)	(17,658)
Decrease (increase) in due from Coco Reef Resorts Limited	19,727	(166,635)
Decrease in due from the Government of Bermuda	61,028	86,839
(Increase) decrease in inventories	(21,827)	20,668
Increase in accounts payable and accrued expenses	544,690	69,126
Increase (decrease) in deferred revenue	26,684	(206,499)
Increase in post-employment benefits	33,128	26,536
(Decrease) increase in due to the Government of Bermuda	(249,798)	743,364
Cash flows (used in) provided by operating activities	(60,669)	867,324
CASH FLOWS FROM CAPITAL ACTIVITIES		
Government contribution for capital asset acquisitions	500,000	850,000
Purchase of capital assets	(632,135)	(645,431)
Cash flows (used in) provided by capital activities	(132,135)	204,569
CASH FLOWS FROM FINANCING ACTIVITIES		
Non-cash restricted assets	75,664	(17,636)
Restricted contributions	(75,664)	17,636
Cash flows provided by (used in) financing activities	-	-
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(192,804)	1,071,893
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,667,978	2,596,085
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 3,475,174	$ 3,667,978
Interest received	$ 6,085	$ 3,769

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

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 Canadian Public Sector Accounting Standards (“PSAS”) for government not-for-profit organizations (“GNFPOs”), as issued by the Public Sector Accounting Board (“PSAB”). These standards are generally accepted in Bermuda and Canada.

These financial statements have been prepared on a going concern basis. The College has experienced several years of operating deficits and has a negative balance in unrestricted net assets, but does have positive working capital. The College received government grants of $15,781,000 and $15,906,000 for fiscal years 2018/2019 and 2019/2020, respectively. The ability of the College to continue as a going concern and discharge its liabilities in the normal course of business is dependent upon the continued support of the Bermuda Government. The Bermuda Government has committed to a grant, on a level consistent with prior years, for the year ended March 31, 2021.

These financial statements do not reflect any adjustments to the carrying value or classification of the College’s assets and liabilities, the reported revenues and expenses and the statement of financial position classifications that would be necessary if the going concern assumption was not appropriate. Such adjustments could be material to these financial statements.

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

The College follows the deferral method of accounting for contributions. Under the deferral method, restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Revenue recognition (continued)

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.

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.

(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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Capital assets (continued)

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 (2018 - $nil).

(f) Financial instruments

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

(i) Fair value

This category includes bonds and government securities 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, money market funds, fixed deposits, 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Use of estimates

The preparation of financial statements in conformity with PSAB 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.

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).

4. FINANCIAL INSTRUMENT CLASSIFICATION (continued)

	Level 1	Level 2	Level 3	Total
Classification as at March 31, 2019	$	$	$	$
Equities	51,892	-	-	51,892
	51,892	-	-	51,892

There were no transfers between Level 1 and Level 2 for the year ended March 31, 2019. There were also no transfers in or out of Level 3.

	Level 1	Level 2	Level 3	Total
Classification as at March 31, 2018	$	$	$	$
Bonds and government securities	389,329	-	-	389,329
Equities	668,082	-	-	668,082
	1,057,411	-	-	1,057,411

There were no transfers between Level 1 and Level 2 for the year ended March 31, 2018. There were also no transfers in or out of Level 3.

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 bonds and government securities, 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:

	2019	2018
	$	$
Balance, beginning of year	2,505,756	2,488,120
Contributions and interest	8,928	29,126
Unrealized gain on investments	9,066	41,225
Realized loss on investments	(54,395)	-
Expenses related to Corange Science project	(39,263)	(52,715)
Balance, end of year	2,430,092	2,505,756

Restricted assets and contributions are comprised of the	2019	2018
following investments:	$	$
Bonds and government securities	-	389,329
Equities	51,892	668,082
Money market funds	63,263	693,956
Fixed deposits	713,910	754,258
	829,065	2,505,625
Restricted cash	1,601,027	131
	2,430,092	2,505,756

6. CAPITAL ASSETS

2019	Cost $	Accumulated Amortization $	Net Book Value $
Buildings and car parks	42,104,017	29,594,882	12,509,135
Land	2,686,240	-	2,686,240
Equipment	15,175,849	14,169,471	1,006,378
Furniture and fixtures	4,215,000	3,948,403	266,597
Assets under construction	180,804	-	180,804
Laptop project equipment	1,179,182	1,179,182	-
	65,541,092	48,891,938	16,649,154

2018	Cost $	Accumulated Amortization $	Net Book Value $
Buildings and car parks	42,104,017	28,542,282	13,561,735
Land	2,686,240	-	2,686,240
Equipment	14,808,692	13,720,826	1,087,866
Assets under construction	156,871	-	156,871
Furniture and fixtures	3,973,955	3,926,610	47,345
Laptop project equipment	1,179,182	1,179,182	-
	64,908,957	47,368,900	17,540,057

The amortization expense for the year ended March 31, 2019 is $1,523,038 (2018 - $1,474,161).

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.

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:

	2019	2018
	$	$
Balance, beginning of year	13,071,890	13,278,013
Add: government contributions (note 11)	500,000	850,000
Less: amounts amortized to revenue	(1,173,818)	(1,056,123)
Balance, end of year	12,398,072	13,071,890

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 $4,065 (2018 - $4,128) were waived during the year.

9. 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 $16,281,000 (2018 - $16,631,000) during the year. These are to be used for operations and capital expenditures (note 7).

9. 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 company 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.

During the year ended March 31, 2019, the College committed $360,500 for the Foundation to use to establish its operations. As at March 31, 2019, the College had donated $99,958 of this funding for its operations. The College has an outstanding commitment to the Foundation of $260,542 as at March 31, 2019.

(c) Other amounts

	2019		2018	
	Revenue (Expense)	Receivable (Payable)	Revenue (Expense)	Receivable (Payable)
	$	$	$	$
Student fees	331,638	81,695	305,886	222,380
Training and development	128,680	85,511	120,886	98,775
Text books	-	175	200	175
Facility rentals	12,275	2,410	12,364	750
Pension	(876,711)	(144,615)	(850,575)	(284,704)
Social insurance	(202,166)	(30,772)	(198,134)	(30,127)
Health insurance	(610,197)	(117,317)	(612,890)	(226,004)
Other	(23,987)	(145,002)	(23,733)	(146,538)
Payroll tax	-	(163,981)	-	(164,079)
Property insurance	(420,424)	(420,424)	(420,457)	(420,457)

On March 31, 2019, the College provided an allowance of $61,515 (2018 - $152,976) for long outstanding balances receivable from the Government.

The College received Government funding totaling $300,000 (2018 - $300,000) during the year. These are to be used for scholarships and awards to qualified students to undertake professional certifications and training at the College.

10. 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% (2018 - 8%) each. These contributions represent the total liability of the College and are recognized in the accounts on an accrual basis.

(b) Post-employment benefits

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 $876,711 (2018 - $850,575). These were expensed and paid during the year.

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, 2017. The results were then extrapolated to March 31, 2019, using similar 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 2019 were $45,510 (2018 - $42,958).

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

(i) Discount rate

The present value as at March 31, 2019 of the future benefits was determined using a discount rate of 6.5% (2018 - 6.5%).

(ii) Compensation increase

The rate of compensation increase was varied and based on employee age and ranged from 3.45% to 6.00% (2018 – varied and based on employee age and ranged from 3.45% to 6.00%).

10. 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:

	2019	2018
Accrued benefit obligation as previously reported, beginning of year	$ 1,210,024	$ 1,183,488
Adjustment to accrued benefit obligation, beginning of year	950	-
Revised accrued benefit obligation, beginning of year	1,210,974	1,183,488
Amortization of experience gain	(35,418)	(37,763)
Current period benefit cost	51,434	48,294
Interest on accrued benefits	61,672	58,963
Benefit payments	(45,510)	(42,958)
Accrued benefit obligation, end of year	$ 1,243,152	$ 1,210,024

The actuarial valuation uses an expected average remaining service life of 13.2 years (2018 - 13.2 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 (2018 - $18,182).

(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 (2018 - $76,184).

10. POST-EMPLOYMENT BENEFITS AND COMPENSATED ABSENCES (continued)

(c) Compensated absences (continued)

(iii) Vacation days

Vacation days accumulate and vest, therefore a liability is accrued each year. 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, 2019 is $241,158 (2018 - $230,517), and is included in accounts payable and accrued liabilities.

11. INVESTMENT IN CAPITAL ASSETS

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

	2019 $	2018 $
Capital assets	16,649,154	17,540,057
Add: Government contributions	1,350,000	850,000
Less: Deferred capital contributions	(12,398,072)	(13,071,890)
Net assets invested in capital assets	5,601,082	5,318,167

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

	2019 $	2018 $
Amortization of deferred capital contributions	1,173,818	1,056,123
Amortization of capital assets	(1,523,038)	(1,474,161)
	(349,220)	(418,038)
Purchase of capital assets	632,135	645,431
Net change in investment in capital assets	282,915	227,393

12. COCO REEF RESORTS LIMITED

As at March 31, 2019, the cost of the property owned by the College and leased to Coco Reef Resorts Limited is $6,315,342 (2018 - $6,315,342) and accumulated amortization is $5,930,119 (2018 - $5,772,236).

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 Hotels.

No additional rental income was recognized as of March 31, 2019.

(c) As at March 31, 2019 $173,503 (2018 - $193,230) was receivable from Coco Reef Resorts Limited representing charges for rent and electricity.

13. 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, 2019.

(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:

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(a) Credit risk (continued)

(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.

(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.

(iii) Student fees and other receivables

Receivables consist primarily of amounts due from students. 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 impairment allowance is set up based on the College's historical experience regarding collections.

The amounts outstanding at March 31, 2019 are as follows:

			Past Due		
	Total $	Current $	31 - 60 days $	61 - 90 days $	91 + days $
Student fees receivable	792,879	165,482	35,880	130,362	461,155
Other receivables	50,585	15,272	5,967	7,228	22,118
Due from Coco Reef Resorts Limited	173,503	23,503	-	-	150,000
Due from the Government of Bermuda	169,791	18,998	8,665	56,911	85,217
Gross receivables	1,186,758	223,255	50,512	194,501	718,490
Less: Impairment allowances	(317,845)	-	(2,525)	(19,450)	(295,870)
Net receivables	868,913	223,255	47,987	175,051	422,620

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(a) Credit risk (continued)

The amounts outstanding at March 31, 2018 were as follows:

			Past Due		
	Total $	Current $	31 - 60 days $	61 - 90 days $	91 + days $
Student fees receivable	645,807	83,917	29,255	99,653	432,982
Other receivables	68,239	3,503	410	1,041	63,285
Due from Coco Reef Resorts Limited	193,230	65,843	127,387	-	-
Due from the Government of Bermuda	322,280	24,536	47,481	1,067	249,196
Gross receivables	1,229,556	177,799	204,533	101,761	745,463
Less: Impairment allowances	(605,940)	(16,783)	(5,933)	(20,352)	(562,872)
Net receivables	623,616	161,016	198,600	81,409	182,591

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.

13. 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 outflows of financial liabilities as at March 31, 2019:

		Future Due	
	Total	Within 1 year	1+ years
	$	$	$
Post-employment benefits	1,243,152	35,190	1,207,962
Accounts payable	1,670,204	1,670,204	-
Due to the Government of Bermuda	1,022,111	1,022,111	-
Total financial liabilities	3,935,467	2,727,505	1,207,962

The following table sets out the expected cash outflows of financial liabilities as at March 31, 2018:

		Future Due	
	Total	Within 1 year	1+ years
	$	$	$
Post-employment benefits	1,210,024	45,510	1,164,514
Accounts payable	1,125,514	1,125,514	-
Due to the Government of Bermuda	1,271,909	1,271,909	-
Total financial liabilities	3,607,447	2,442,933	1,164,514

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.

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(c) Market risk (continued)

(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 held with financial institutions. The College is exposed to changes in interest rates which may impact interest revenue on cash and cash equivalents. As at March 31, 2019, 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 $1,954 (2018 - $1,953). The Board does not consider this risk to be significant.

(iii) Equity price risk

Equity price risk is the uncertainty associated with the valuation of investments arising from changes in equity markets. The College is exposed to this risk through its equity holdings within the restricted assets portfolio. At March 31, 2019, 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 $5,189 (2018 - $66,808). 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.

14. 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:

	$
2019 - 2020	1,310,334
2020 - 2021	919,662
2021 - 2022	216,652

15. 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, 2019:

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

16. SUBSEQUENT EVENT

Subsequent to the year-end, the College commenced negotiations with Coco Reef Resorts Limited to clarify the definition of gross annual profit (see note 12(b)) and therefore the calculation of any additional rent payable. Negotiations are still ongoing as to the definition which may affect the rental income over the remaining lease term.

In June 2019, an agreement was reached between the College and Coco Reef Resorts Limited, that an amount of $158,467 would be paid to the College by Coco Reef Resorts Limited in respect of additional rent payable for the period from the commencement of the lease extension in May 2011 to April 30, 2018. The amount will be recorded in the College's statement of operations for the year ended March 31, 2020.