Holland College
Consolidated Financial Statements
For the Year Ended March 31, 2023

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Independent Auditor's Report

To the Board of Governors of Holland College

Opinion

We have audited the consolidated financial statements of Holland College (the "College"), which comprise the consolidated statement of financial position as at March 31, 2023, the consolidated statements of operations, changes in net assets and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the College as at March 31, 2023, and its consolidated results of operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the College in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the College's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards 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 consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 College's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the College to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the College to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

BDO Canada LLP

Chartered Professional Accountants
Charlottetown, Prince Edward Island
June 28, 2023

Holland College
Consolidated Statement of Financial Position

March 31	2023	2022
Assets		
Current		
Cash	**$ 20,025,409**	$ 13,315,134
Receivables (Note 2)	**13,732,454**	15,192,952
Inventory	**653,348**	782,931
Prepaid expenses	**183,943**	199,422
	34,595,154	29,490,439
Long-term receivable	**377,492**	408,951
Capital assets (Note 3)	**78,892,974**	82,733,212
Derivatives (Note 8)	**812,360**	-
	$ 114,677,980	$ 112,632,602
Liabilities		
Current		
Payables and accruals (Note 4)	**$ 6,680,019**	$ 7,580,461
Deferred revenue	**6,569,958**	5,174,885
Deferred grant contributions (Note 5)	**3,915,068**	3,524,829
Accrued vacation payable	**3,516,120**	3,574,452
Current portion of long-term debt (Note 6)	**3,464,000**	3,809,000
	24,145,165	23,663,627
Retirement obligations (Note 7)	**5,288,700**	5,273,800
Long-term debt (Note 6)	**28,275,000**	31,568,000
Derivatives (Note 8)	**-**	376,222
Deferred capital contributions (Note 9)	**38,215,207**	34,446,227
Accrued pension liability (Note 10)	**7,648,400**	9,555,000
	103,572,472	104,882,876
Net Assets		
Invested in capital assets (Note 11)	**16,721,772**	16,617,990
Internally restricted for future capital purchases	**389,627**	389,627
Unrestricted (deficit)	**(6,005,891)**	(9,257,891)
	11,105,508	7,749,726
	$ 114,677,980	$ 112,632,602

Commitments (Note 13)

On behalf of the Board:

DocuSigned by:
Jessie Inman
95C3E1E6BC2C4AC Governor

DocuSigned by:
Carl Chapman
75A270C35BE748E Governor

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

Holland College
Consolidated Statement of Changes in Net Assets

For the year ended March 31	Invested in capital assets	Internally restricted for future property and equipment purchases	Accumulated operating deficit	2023 Total	2022 Total
Balance, beginning of the year	$ 16,617,990	$ 389,627	$ (9,257,891)	$ 7,749,726	$ 3,273,820
Excess of revenues over expenses	-	-	2,374,582	2,374,582	1,313,855
Net change in investment in capital assets (Note 11)	103,782	-	(103,782)	-	-
Pension remeasurements	-	-	981,200	981,200	1,958,400
Contributed capital assets	-	-	-	-	1,203,651
Balance, end of the year	$ 16,721,772	$ 389,627	$ (6,005,891)	$ 11,105,508	$ 7,749,726

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

Holland College
Consolidated Statement of Operations

For the year ended March 31	2023	2022
Revenue		
Grants		
Province of Prince Edward Island	**$ 23,537,045**	$ 21,620,155
Other grants	**7,481,394**	6,097,196
Student fees	**24,274,951**	21,476,133
Contract training	**16,557,992**	15,203,727
Sales, recoveries and incidentals	**5,219,529**	4,263,053
Amortization of deferred contributions	**2,557,952**	2,924,859
	79,628,863	71,585,123
Operating expenses		
Amortization	**4,896,898**	4,639,993
Maintenance, insurance and property taxes	**1,767,320**	1,641,574
Other operating costs (Note 12)	**6,984,785**	7,358,448
Purchases for resale	**3,988,954**	3,169,084
Rentals	**2,883,441**	2,390,176
Salaries and benefits	**47,089,579**	43,861,812
Texts, materials and supplies	**3,313,527**	2,547,027
Travel	**883,839**	418,294
Utilities	**3,504,919**	3,259,570
	75,313,262	69,285,978
Excess of revenue over expenses before the undernoted	**4,315,601**	2,299,145
Pension expense (Note 10)	**(3,129,600)**	(3,301,500)
Change in carrying value of derivatives	**1,188,581**	2,316,210
	(1,941,019)	(985,290)
Excess of revenue over expenses	**$ 2,374,582**	$ 1,313,855

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

Holland College
Consolidated Statement of Cash Flows

For the year ended March 31	2023	2022
Cash flows from operating activities		
Excess of revenue over expenses	**$ 2,374,582**	$ 1,313,855
Items not affecting cash:		
Amortization of capital assets	**4,896,898**	4,639,993
Amortization of deferred contributions	**(2,557,952)**	(2,924,859)
Pension remeasurements and other items	**981,200**	1,958,400
Change in carrying value of derivatives	**(1,188,581)**	(2,316,210)
Contributed assets	**-**	1,203,651
Changes in non-cash working capital:		
Decrease in accounts receivable	**1,460,498**	718,406
Decrease (increase) in inventory	**129,582**	(120,809)
Increase (decrease) in deferred revenue	**1,395,073**	199,984
Decrease (increase) in prepaids	**15,479**	(2,513)
Increase (decrease) in payables and accruals	**(900,444)**	515,213
Increase (decrease) in deferred grant contributions	**390,240**	2,411,318
Decrease in accrued vacation pay	**(58,332)**	(42,169)
Increase (decrease) in retirement obligations	**14,900**	(509,400)
Decrease in pension liability	**(1,906,600)**	(384,400)
	5,046,543	6,660,460
Cash flows from investing activities		
Acquisition of capital assets	**(1,056,660)**	(4,096,675)
Decrease in long-term receivable	**31,460**	31,460
	(1,025,200)	(4,065,215)
Cash flows from financing activities		
Repayment of long-term debt	**(3,638,000)**	(3,516,000)
Increase in deferred contributions - capital assets	**4,260,300**	4,714,300
Contributions - debt servicing	**2,066,632**	1,869,930
	2,688,932	3,068,230
Net increase in cash	**6,710,275**	5,663,475
Cash, beginning of the year	**13,315,134**	7,651,659
Cash, end of the year	**$ 20,025,409**	$ 13,315,134

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

1. Significant Accounting Policies

Nature and Purpose of Organization	Holland College (the "College") is incorporated under the Holland College Act of the Province of Prince Edward Island. Dedicated to excellence in performance, the College stands committed to providing quality life-long learning opportunities to support learner, industry and community development. The College is a registered charity under the Canadian Income Tax Act and accordingly, is exempt from income taxes, provided certain requirements of the Act are met.
Basis of Consolidation	The financial statements include the accounts of the College's wholly owned subsidiaries: ATHI Enterprises Inc. and P.E.I. Institute of Adult & Community Education Inc. The College does not consolidate Holland College Foundation Inc., which operates under its control. Supplementary information on this entity is disclosed in Note 14. The financial statements have been prepared using Canadian accounting standards for not-for-profit organizations.
Cash	Cash consists of cash on hand and cash on deposit at financial institutions. Included in cash at year end is $412,332 (2022 - $388,322) held in Chinese Renminbis.
Inventory	Inventory is valued at the lower of cost and net realizable value. Cost is determined on the first-in, first-out basis.
Impairment of Long-lived Assets	In the event that facts and circumstances indicate that the College's long-lived assets may be impaired, a test of recoverability would be performed. Such a test entails comparing the estimated future undiscounted cash flows associated with the asset to the asset's carrying amount to determine if a write down to market value or discounted cash flow value is required. For purposes of recognition and measurement of an impairment loss, a long-lived asset is grouped with other assets and liabilities to form an asset group at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities.

1. Significant Accounting Policies (continued)

Capital Assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Assets acquired under capital leases are amortized over the estimated life of the assets. Repairs and maintenance costs are charged to expense. 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.

Capital assets are amortized on a straight-line basis using the following annual rates:

Asset	Rate
Buildings	2.5%
Major building alterations	5%
Equipment	20%
Parking lots	5%

Vacation Payable

Vacation pay is accrued for all employees as entitlements to these benefits are earned in accordance with various employment agreements.

Pension Plan

The College maintains a contributory defined-benefit pension plan which covers substantially all of its employees. The benefits are determined using a career average formula for service accrued subsequently to January 1, 2007 and best average formula for service accrued prior to that date. The defined benefit obligation is determined using an actuarial valuation prepared for funding purposes. Pension fund assets are measured at fair value at the statement of financial position date. The total cost of the defined benefit plan for the period is comprised of the current service cost, finance cost, and remeasurements and other items. The current service cost and finance cost are charged to operations for the period, while remeasurements and other items are charged directly to net assets as they occur.

Retirement Obligations

The College provides certain non-pension retirement benefits. The defined benefit obligation is determined using an actuarial valuation prepared for funding purposes.

1. Significant Accounting Policies (continued)

Revenue Recognition

The College follows the deferral method of accounting for contributions.

Operating grants are recognized in the period when received. Operating grants received for expenditures in a a future period are reported as deferred income, until the corresponding expenditures are incurred.

Contributions restricted for the purchase of capital assets or for the servicing of debt acquired in the purchase of capital assets are deferred and amortized into revenue on a straight-line basis at a rate corresponding with the amortization rate for related assets.

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.

Amounts received for student fees, contract training and sales are classified as deferred revenue and are recognized at the time the goods are delivered or the services provided and when the amount to be received can be reasonably estimated and collection is reasonably assured.

Financial Instruments

Financial instruments are recorded at fair value at initial recognition.

In subsequent periods, equities traded in an active market and derivatives are reported at fair value, with any change in fair value reported in income. All other financial instruments are reported at cost or amortized cost less impairment. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items measured at fair value and charged to the financial instrument for those measured at amortized cost.

Financial assets are tested for impairment when indicators of impairment exist.

1. Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future. Significant estimates made by management in the preparation of these financials include:

- Amounts recorded for provision for doubtful accounts receivable which depend on estimates of the expected recoverability of such amounts;
- The estimated useful lives of capital assets and the resulting estimates for amortization expense;
- The accrued pension liability and retirement liability, determined based upon an actuarial valuation, including critical assumptions for discount rates, terminations and mortality rates; and
- The fair value of interest rate swap agreements.

2. Receivables

	2023	2022
Trade	**$ 12,316,903**	$ 13,548,732
Student	**2,791,103**	2,388,784
Related party (Note 14)	**213,923**	341,640
HST receivable	**50,955**	77,559
Allowance for doubtful accounts	**(1,640,430)**	(1,163,763)
	$ 13,732,454	$ 15,192,952

3. Capital Assets

	2023		2022	
	Cost	**Accumulated Amortization**	Cost	Accumulated Amortization
Land	**$ 8,801,204**	**$ -**	$ 8,801,204	$ -
Buildings	**90,572,108**	**30,099,839**	90,527,622	27,835,535
Major building alterations	**24,373,217**	**17,551,956**	24,373,217	16,884,794
Equipment	**14,769,896**	**12,097,197**	16,039,609	12,655,286
Parking lots	**597,492**	**471,951**	597,492	230,317
	139,113,917	**60,220,943**	140,339,144	57,605,932
Net book value		**$ 78,892,974**		$ 82,733,212

4. Payables and Accruals

	2023	2022
Trade	**$ 6,327,653**	$ 5,348,083
Accrued payroll	**352,366**	2,232,378
	$ 6,680,019	$ 7,580,461

5. Deferred grant contributions

	2023	2022
Beginning balance	**$ 5,924,829**	$ 1,113,511
Less: Contributions recognized as revenue during the year	**(3,059,359)**	(640,215)
Add: Contributions received during the year	**1,049,598**	5,451,533
	3,915,068	5,924,829

6. Long-term Debt

	2023	2022
Royal Bank of Canada, interest rate swap contract, 2.60%, payable in monthly instalments of principal and interest as determined by a floating rate calculation, secured by a promissory note, amortized over 21 years ending on July 2, 2038	**$ 10,805,000**	$ 11,317,000
Royal Bank of Canada, interest rate swap contract, 2.59%, payable in monthly instalments of principal and interest as determined by a floating rate calculation, secured by a promissory note, amortized over 20 years ending on February 3, 2032	**4,372,000**	4,792,000
Royal Bank of Canada, interest rate swap contract, 4.49%, payable in monthly instalments of principal and interest as determined by a floating rate calculation, secured by a promissory note, amortized over 20 years ending on April 30, 2030	**4,064,000**	4,522,000
Royal Bank of Canada, interest rate swap contract, 2.94%, payable in monthly instalments of principal and interest as determined by a floating rate calculation, secured by a promissory note, amortized over 20 years ending on August 26, 2031	**3,035,000**	3,340,000
Royal Bank of Canada, interest rate swap contract, 4.12%, payable in monthly instalments of principal and interest as determined by a floating rate calculation, secured by a promissory note, amortized over 20 years ending on June 15, 2030	**2,571,000**	2,862,000
Royal Bank of Canada, interest rate swap contract, 2.91%, payable in monthly instalments of principal and interest as determined by a floating rate calculation, secured by a promissory note, amortized over 15 years ending on February 3, 2030	**1,756,000**	1,977,000

6. Long-term Debt (continued)

Royal Bank of Canada, interest rate swap contract, 4.14%, payable in monthly instalments of principal and interest as determined by a floating rate calculation, secured by a promissory note, amortized over 15 years ending on September 30, 2023	**456,000**	1,328,000
Royal Bank of Canada, interest rate swap contract, 4.47%, payable in monthly instalments of principal and interest as determined by a floating rate calculation, secured by a promissory note, amortized over 20 years ending on June 20, 2025	**1,367,000**	1,474,000
Royal Bank of Canada, interest rate swap contract, 2.29%, payable in monthly instalments of principal and interest as determined by a floating rate calculation, secured by a promissory note, amortized over 20 years ending on September 10, 2035	**898,000**	956,000
Royal Bank of Canada, interest rate swap contract, 2.54%, payable in monthly instalments of principal and interest as determined by a floating rate calculation, secured by a promissory note, amortized over 10 years, due January 3, 2025	**495,000**	753,000
Royal Bank of Canada, interest rate swap contract, 2.85%, payable in monthly instalments of principal and interest as determined by a floating rate calculation, secured by a promissory note, amortized over 20 years ending on March 19, 2032	**777,000**	852,000

6. Long-term Debt (continued)

Royal Bank of Canada, interest rate swap contract, 2.45%, payable in monthly instalments of principal and interest as determined by a floating rate calculation, secured by a promissory note, amortized over 10 years ending on October 25, 2027	**622,000**	657,000
Royal Bank of Canada, interest rate swap contract, 2.15%, payable in monthly instalments of principal and interest as determined by a floating rate calculation, secured by a promissory note, amortized over 20 years ending on July 5, 2039	**521,000**	547,000
	31,739,000	35,377,000
Current portion of long-term debt	**(3,464,000)**	(3,809,000)
Long-term portion of debt	**$ 28,275,000**	$ 31,568,000

Principal repayments on long-term debt over the next five years are as follows:

2024	$ 3,464,000
2025	3,121,000
2026	2,772,000
2027	2,454,000
2028	2,870,000
Thereafter	17,058,000
	$ 31,739,000

Included in other operating costs is interest on long-term debt in the amount of $1,350,805 (2022 - $1,344,548).

The College has a demand operating loan from the Royal Bank of Canada in the amount of $Nil (2022 - $Nil) which is available to a maximum of $2,000,000 and bears interest at the Royal Bank prime rate less 0.5%.

7. Retirement Obligation

The accrued retirement obligations are determined by independent actuaries and includes both the Severance Award Program and the Supplemental Retirement Plan. The last actuarial valuation was determined as of December 31, 2021.

Information about the College's defined benefit plan is as follows:

	2023	2022
Change in benefit obligation:		
Benefit obligation - beginning of the year	**$ 5,273,800**	$ 5,783,200
Current service cost	**337,500**	377,500
Finance cost	**209,800**	165,900
Benefit payments	**(599,200)**	(574,400)
Remeasurements	**48,000**	(494,700)
Defined contribution provision	**18,800**	16,300
Benefit obligation - end of the year	**$ 5,288,700**	$ 5,273,800

Significant actuarial assumptions:		
CPI increase	2.00%	2.15%
Discount rate		
Supplemental Retirement Plan	4.85%	3.85%
Severance Award Program	4.00%	2.85%
Rate of increase in future compensation	3.00%	3.00%

8. Derivatives

Derivative financial instruments are financial contracts that derive their value from underlying changes in interest rates, foreign exchange rates, commodity prices or other financial measures. Such instruments include interest rate, foreign exchange and commodity contracts. The College utilizes interest rate swap contracts to manage the risks associated with its financing activities.

The College has entered into various interest rate swap agreements ("swaps") with the Royal Bank of Canada. Under the terms of the swaps, the College pays fixed interest quarterly and receives interest at the 30-day Bankers Acceptance rate. The College obtains quotes from the Royal Bank of Canada to determine the mark-to-market or break value of the swap loans as of March 31, 2023 and these values are used to determine the fair value of the swap loans as detailed below:

	2023		2022	
	Notional amount	**Fair value favourable (unfavourable)**	Notional amount	Fair value favourable (unfavourable)
2.60% fixed, maturing July 2038	**$ 10,805,000**	**$ 651,671**	$ 11,317,000	$ 184,677
2.59% fixed, maturing February 2032	**4,372,000**	**153,754**	4,792,000	29,714
4.49% fixed, maturing April 2030	**4,064,000**	**(146,347)**	4,522,000	(323,007)
2.94% fixed, maturing August 2031	**3,035,000**	**56,864**	3,340,000	(30,615)
4.14% fixed, maturing September 2023	**2,571,000**	**927**	2,862,000	(166,519)
2.91% fixed, maturing February 2030	**1,756,000**	**36,088**	1,977,000	(17,458)
4.12% fixed, maturing June 2030	**456,000**	**(59,664)**	1,328,000	(21,498)
3.92% fixed, maturing May 2033	**1,367,000**	**(38,175)**	1,474,000	(93,164)
2.29% fixed, maturing September 2035	**898,000**	**56,092**	956,000	30,516
2.54% fixed, maturing January 2025	**495,000**	**9,349**	753,000	(1,323)
2.85% fixed, maturing March 2032	**777,000**	**18,062**	852,000	(4,507)
2.45% fixed, maturing October 2027	**622,000**	**26,548**	657,000	7,029
2.15% fixed, maturing July 2039	**521,000**	**47,191**	547,000	29,933
	$ 31,739,000	**$ 812,360**	$ 35,377,000	$ (376,222)

9. Deferred Capital Contributions

Deferred capital contributions represent the unamortized amount of grants, contributions and lease inducements received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations.

	2023	2022
Beginning balance	**$ 34,446,227**	$ 30,786,856
Add:		
Contributions - capital assets	**4,260,300**	4,714,300
Contributions - debt servicing	**2,066,632**	1,869,930
Total contributions	**6,326,932**	6,584,230
Less:		
Amounts amortized to revenue - capital assets	**(1,686,366)**	(2,051,187)
Amounts amortized to revenue - debt servicing	**(871,586)**	(873,672)
Total amounts amortized to revenue	**(2,557,952)**	(2,924,859)
	$ 38,215,207	$ 34,446,227

10. Pension Plan

The accrued benefit obligation is determined by independent actuaries. The last actuarial valuation was determined as of December 31, 2021.

The College changed its pension plan structure for new entrants commencing April 1, 2015. The new pension plan structure differs from the existing pension plan for individuals enrolled prior to this date as it incorporates several different attributes used in determining the College's pension liability. In addition, pension benefits for new members joining on or after April 1, 2015 will not be indexed to inflation. Individuals enrolled prior to April 1, 2015, will continue under the existing plan and will be entitled to benefits as previously determined.

Pension plan assets are held in trust and are not available for operating purposes of the College. Information about the College's defined-benefit plan is as follows:

10. Pension Plan (continued)

	2023	2022
Change in benefit obligation:		
Benefit obligation - beginning of the year	**$ 165,919,100**	$ 160,218,000
Current service cost	**2,193,200**	2,363,100
Employees contributions	**2,397,800**	2,293,100
Interest cost on defined benefit obligation	**9,651,400**	9,349,100
Actuarial gain on defined benefit obligation	**(8,966,700)**	-
Benefit payments	**(8,861,700)**	(8,304,200)
Benefit obligation - end of the year	**$ 162,333,100**	$ 165,919,100
Change in plan assets:		
Fair value of plan assets - beginning of the year	**$ 156,364,100**	$ 150,278,600
Interest income on plan assets	**9,017,300**	8,634,400
Administration costs	**(302,300)**	(223,700)
Employer contributions	**4,007,000**	2,222,200
Estimated employee contributions and past service cost	**2,397,800**	2,293,100
Actuarial gain (loss) on plan assets	**(7,937,500)**	1,463,700
Benefits paid	**(8,861,700)**	(8,304,200)
Benefit asset - end of the year	**$ 154,684,700**	$ 156,364,100
Reconciliation of funded status:		
Present value of defined benefit obligation	**$(162,333,100)**	$ (165,919,100)
Fair value of plan assets	**154,684,700**	156,364,100
Accrued benefit liability	**$ (7,648,400)**	$ (9,555,000)

	2023	2022
Net expense:		
Current service cost (employer)	**$ 2,193,200**	$ 2,363,100
Administration costs	**302,300**	223,700
Interest income on plan assets	**(9,017,300)**	(8,634,400)
Interest cost on defined benefit obligation	**9,651,400**	9,349,100
Net expense	**$ 3,129,600**	$ 3,301,500

10. Pension Plan (continued)

	2023	2022
Significant actuarial assumptions:		
Expected long-term rate of return on plan assets		
Members prior to April 1, 2015	6.30%	5.85%
Members on or after April 1, 2015	5.95%	5.00%
Rate of increase in future compensation	3.00%	3.00%

11. Investment in Capital Assets

(a) Investment in capital assets is calculated as follows:

	2023	2022
Capital assets	**$ 78,892,974**	$ 82,733,212
Add: accumulative direct increase to net assets	**1,308,005**	1,308,005
Amounts financed by:		
Deferred capital contributions	**(38,215,207)**	(34,446,227)
Long-term debt	**(31,739,000)**	(35,377,000)
Amounts unspent:		
Deferred capital contributions	**6,475,000**	2,400,000
	$ 16,721,772	$ 16,617,990

(b) Net change in investment in capital assets:

	2023	2022
Purchase and contribution of capital assets	**$ 1,056,660**	$ 4,096,675
Amounts funded by:		
Deferred contributions	**(185,300)**	(2,314,300)
Contributed assets	**-**	1,203,651
Repayment of long-term debt	**3,638,000**	3,516,000
Contributions - debt servicing	**(2,066,632)**	(1,869,930)
Amortization of deferred contributions - capital	**1,686,366**	2,051,187
Amortization of deferred contributions - debt servicing	**871,586**	873,672
Amortization of capital assets	**(4,896,898)**	(4,639,993)
	$ 103,782	$ 2,916,962

12. Other Operating Costs

	2023	2022
Advertising	$ 459,614	$ 450,148
Bad debt expense	405,932	922,921
Contract services	1,162,699	1,099,805
Graduation	68,188	69,960
Interest on long-term debt	1,350,805	1,344,548
Lab fees	309,557	245,593
Laundry	61,439	58,550
Legal	112,582	130,871
Membership fees	110,598	128,082
Other	(9,175)	494,664
Photocopy	194,437	168,877
Postage	30,105	33,305
Provider fees	1,251,499	960,668
Registrations and maintenance fees	193,400	210,136
Software	1,071,267	862,323
Staff development	197,737	159,208
Study tour costs	14,101	18,789
	$ 6,984,785	$ 7,358,448

13. Commitments

The College has operating leases for multiple locations across Prince Edward Island. Further, the College also signed several long-term service agreements pertaining to equipment and software maintenance. The minimum annual lease and service contract payments for the next five years are as follows:

2024	$ 807,525
2025	708,764
2026	709,916
2027	478,458
2028	480,673
	$ 3,185,336

14. Related Entity

The College controls Holland College Foundation Inc. (the "Foundation"). The Foundation raises funds from the community. The Foundation is incorporated under the laws of the Province of Prince Edward Island and is a registered charity under the Income Tax Act. All resources of the Foundation must be provided for the benefit of the College or its students.

The Foundation has not been consolidated in the College's financial statements. Financial statements of the Foundation are available upon request. A financial summary of this non-consolidated entity is as follows:

As at March 31	**2023**	2022
Balance sheet:		
Total assets (Note 13 (1))	**$ 9,847,988**	$ 9,776,231
Total liabilities	**545,273**	601,340
Total net assets	**$ 9,302,715**	$ 9,174,891

For the year-ended March 31	**2023**	2022
Results of operations:		
Total revenue (Note 13 (2))	**$ 2,060,334**	$ 3,113,520
Total expenses (Note 13 (2))	**1,603,513**	1,884,835
Excess of revenue over expenses	**$ 456,821**	$ 1,228,685
Cash flows:		
Cash received from operations	**$ 427,877**	$ 266,463
Cash received used in investing activities	**(77,590)**	(232,834)
Net increase in cash	**$ 350,287**	$ 33,629

14. Related Entity (continued)

(1) All of the Foundation's net assets must be provided to or used for the benefit of the College or its students. In accordance with donor imposed restrictions, $78,390 (2022 - $100,010) of the Foundation's net assets must be used to purchase capital assets for the College. The foundations net assets of $7,782,370 (2022 - $7,965,512) are subject to donor imposed restrictions that they be maintained permanently with investment revenue earned to be used for scholarships and bursaries for College students. At year end, amounts owing to the College related to outstanding donations committed to the College as of year end as well as fundraising costs associated with the capital campaign that were financed by the College and will be repaid from future fundraising initiatives.

(2) During the year, the College paid a grant totaling $572,792 (2022 - $492,277) to the Foundation for payment of the administration costs of the Foundation. During the year, the College received $358,801 (2022 - $654,753) in donations from the Foundation, of which $213,923 (2022 - $341,640) was receivable at year end. The donations were used to fund expenditures and capital projects.

15. Comparative Figures

Certain comparative figures have been restated to conform to the current year's presentation.

16. Financial Instrument Risks

Credit Risk
Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The College is exposed to credit risk resulting from the possibility that a customer or counterparty to a financial instrument defaults on their financial obligations; if there is a concentration of transactions carried out with the same counterparty; or of financial obligations which have similar economic characteristics such that they could be similarly affected by changes in economic conditions. The College's financial instruments that are exposed to concentrations of credit risk relate primarily to accounts receivable. Of the College's $12,316,903 (2022 - $13,548,732) in trade receivables, government agencies accounted for 89% (2022 - 84%). The majority of the College's receivables are from government sources and the College works to ensure they meet all eligibility criteria in order to qualify to receive the funding. The risk related to receivables, other than from government sources, has decreased from the prior year as a result of the decreased balance of accounts receivable.

Liquidity risk
Liquidity risk is the risk that the College will encounter difficulty in meeting its obligations associated with financial liabilities. Liquidity risk includes the risk that, as a result of operational liquidity requirements, the College will not have sufficient funds to settle a transaction on the due date; will be forced to sell financial assets at a value, which is less than what they are worth; or may be unable to settle or recover a financial asset. The College is exposed to this risk mainly in respect of its accounts payable and long term debt.

The College's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient cash flows to fund its operations and to meet its liabilities when due, under both normal and stressed conditions. The College maintains a portion of its invested assets in liquid securities. This risk is unchanged from the prior year.

Market Risk
The College is exposed to fluctuations in equity markets on its defined benefit plan assets which are invested in various marketable securities. This risk has decreased over the prior year as the pension obligations have decreased.

Interest Rate Risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The College is exposed to interest rate risk through its long-term debt obligations which are issued with floating interest rates. To manage its current and anticipated exposure to interest rate risks, the College has entered into rate swap contracts whereby it has fixed the interest rate on a total of $31,739,000 (2022 - $35,377,000) of notional principal against the floating interest position assumed by the Royal Bank of Canada. The carrying value for the swap contracts is the notional principal noted above. The swap contracts have effective interest rates and maturity dates as disclosed in Note 8. The risk remains unchanged from the prior year.