



Consolidated Financial Statements

Holland College

March 31, 2025

Holland College

Contents

	Page
Independent Auditor's Report	1 - 2
Consolidated Statement of Operations	3
Consolidated Statement of Changes in Net Assets	4
Consolidated Statement of Financial Position	5
Consolidated Statement of Cash Flows	6
Notes to the Consolidated Financial Statements	7 - 20



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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, which comprise the consolidated statement of financial position as at March 31, 2025, and 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, 2025, and the consolidated results of its operations and its consolidated 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.

Other matter

The consolidated financial statements of the College for the year ended March 31, 2024 were audited by BDO Canada LLP who expressed an unmodified opinion on those consolidated financial statements on June 27, 2024.

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.

Charlottetown, Canada
June 26, 2025

Doane Grant Thornton LLP

Chartered Professional Accountants

Holland College

Consolidated Statement of Operations

Year ended March 31

2025

2024

Revenue**Grants**

Province of Prince Edward Island

\$ 25,811,466 \$ 23,693,466

Other grants

7,425,030 10,152,359

Student fees

29,089,230 27,235,138

Contract training

17,461,328 18,372,909

Sales, recoveries and incidentals

7,351,243 7,402,267

Amortization of deferred contributions

2,866,061 2,576,839

90,004,358 89,432,978**Expenditures**

Amortization

5,305,213 4,621,729

Maintenance, insurance and property taxes

2,273,752 1,909,709

Other operating costs (Note 13)

7,438,729 7,398,493

Purchases for resale

4,534,993 4,803,534

Rentals

3,048,705 3,115,380

Salaries and benefits

52,560,222 50,567,090

Texts, materials and supplies

3,258,107 3,556,163

Travel

1,066,138 960,129

Utilities

3,132,737 3,461,196

82,618,596 80,393,423

Excess of revenue over expenditures before other items

7,385,762 9,039,555**Other items**

Change in carrying value of derivatives

(1,336,354) 525,963

Pension expense (Note 11)

(2,832,300) (3,223,200)

(4,168,654) (2,697,237)

Excess of revenue over expenditures

\$ 3,217,108 \$ 6,342,318

Holland College
Consolidated Statement of Changes in Net Assets
Year ended March 31

	Invested in capital assets	Internally restricted for future property and equipment purchases	Accumulated operating net assets	Total 2025	Total 2024
Balance, beginning of year	\$ 19,627,939	\$ 389,627	\$ 860,760	\$ 20,878,326	\$ 11,105,508
Excess of revenue over expenditures	-	-	3,217,108	3,217,108	6,342,318
Net change in capital assets (Note 14)	1,033,658	-	(1,033,658)	-	-
Pension remeasurements	-	-	5,106,900	5,106,900	3,430,500
Balance, end of year	<u>\$ 20,661,597</u>	<u>\$ 389,627</u>	<u>\$ 8,151,110</u>	<u>\$ 29,202,334</u>	<u>\$ 20,878,326</u>

See accompanying notes to the consolidated financial statements.

Holland College

Consolidated Statement of Financial Position

March 31

2025

2024

Assets

Current

Cash	\$ 25,367,202	\$ 24,894,030
Accounts receivable (Note 3)	14,898,137	16,198,964
Inventory	733,213	705,801
Prepaid expenses	79,450	221,646

41,078,002 42,020,441

Long-term receivable	314,572	377,492
Property and equipment (Note 4)	84,222,762	81,611,560
Derivatives (Note 5)	1,968	1,338,322
Accrued pension asset (Note 11)	939,300	-

\$ 126,556,604 \$ 125,347,815

Liabilities

Current

Payables and accruals (Note 6)	\$ 10,158,396	\$ 9,915,611
Deferred revenues	6,137,708	6,311,357
Deferred grant contributions (Note 7)	3,903,677	4,178,624
Accrued vacation payable	3,467,190	3,288,660
Current portion of long-term debt (Note 8)	2,817,000	2,947,000

26,483,971 26,641,252

Long-term debt (Note 8)	22,657,753	25,469,000
Deferred capital contributions (Note 9)	42,339,246	42,340,037
Retirement obligation (Note 10)	5,873,300	5,534,100
Accrued pension liability (Note 11)	-	4,485,100

97,354,270 104,469,489

Net assets

Invested in capital assets (Note 14)	20,661,597	19,627,939
Internally restricted for future capital purchases	389,627	389,627
Unrestricted	8,151,110	860,760

29,202,334 20,878,326

\$ 126,556,604 \$ 125,347,815

Commitments (Note 12)

On behalf of the Board

Signed by:

Jessie Inman

Governor

Carol Chyn

Governor

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See accompanying notes to the consolidated financial statements.

Holland College

Consolidated Statement of Cash Flows

Year ended March 31

2025

2024

Increase (decrease) in cash

Operating

Excess of revenue over expenditures	\$ 3,217,108	\$ 6,342,318
Items not affecting cash		
Amortization of capital assets	5,305,213	4,621,729
Amortization of deferred contributions	(2,866,061)	(2,576,839)
Change in fair value of derivatives	1,336,354	(525,963)
	<u>6,992,614</u>	<u>7,861,245</u>
Change in non-cash working capital items		
Accounts receivable	1,300,827	(2,466,510)
Inventory	(27,412)	(52,452)
Prepaid expenses	142,196	(37,703)
Payables and accruals	242,786	3,235,591
Deferred revenues	(173,649)	(258,601)
Deferred grant contributions	(274,947)	263,556
Accrued vacation payable	178,530	(227,460)
Pension liability	(317,500)	267,200
Retirement obligations	339,200	245,400
	<u>8,402,645</u>	<u>8,830,266</u>

Financing

Repayment of long-term debt	(2,941,247)	(3,323,000)
Deferred contributions received - capital assets	1,023,247	4,926,718
Deferred contributions received - debt servicing	1,842,023	1,774,949
	<u>(75,977)</u>	<u>3,378,667</u>

Investing

Decrease in long-term receivable	62,920	-
Purchase of property and equipment	(7,916,416)	(7,340,312)
	<u>(7,853,496)</u>	<u>(7,340,312)</u>

Increase in cash

473,172 4,868,621

Cash

Beginning of year	<u>24,894,030</u>	<u>20,025,409</u>
End of year	<u>\$ 25,367,202</u>	<u>\$ 24,894,030</u>

Holland College

Notes to the Consolidated Financial Statements

March 31, 2025

1. Nature of operations

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.

2. Significant accounting policies

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles using Canadian accounting standards for not-for-profit organizations in Part III of the CPA Canada Handbook.

Principles of consolidation

The consolidated financial statements include the assets, liabilities and results of operations of the 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 16.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and cash on deposit with banks and other institutions.

Inventory

Inventory is valued at the lower of cost and net realizable value, with cost being determined on a first-in, first-out basis.

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 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.

Holland College

Notes to the Consolidated Financial Statements

March 31, 2025

2. Significant accounting policies (continued)

Property and equipment

Purchased property and equipment are recorded at cost. Contributed property and equipment are recorded at fair value at the date of contribution.

For property, plant and equipment with a finite life, the cost of each item is amortized over its estimated life / useful life in a systematic manner appropriate to the nature of that item and its use by the College. Accordingly, using the straight-line method, a fixed amount is periodically amortized into income over their respective life/useful life, which in total would be the great of:

- (a) The cost less salvage value over the life of the asset; and
- (b) The cost less residual value over the useful life of the asset.

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

Buildings	2.5%
Major building alterations	5%
Equipment	20%
Paving	5%

Impairment of long-lived assets

An impairment loss is recognized when the carrying amount of a long-lived asset is not recoverable and exceeds its fair value; it is measured as the amount by which the carrying amount of a long-lived asset exceeds its fair value. The carrying amount of a long-lived asset is not recoverable if the carrying amount exceeds the sum of the undiscounted cash flows expected to result from its use and eventual disposition. A long-lived asset is tested for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable.

Financial instruments

The College considers any contract creating a financial asset, liability or equity instrument as a financial instrument, except in certain limited circumstances. The College accounts for the following as financial instruments:

- Cash and cash equivalents
- Accounts receivable
- Derivatives
- Payables and accruals
- Accrued vacation payable
- Long-term debt

Financial instruments in arm's length transactions

Initial measurement

The College initially measures financial assets and financial liabilities originating, acquired, issued or assumed in arm's length transactions at fair value.

Holland College

Notes to the Consolidated Financial Statements

March 31, 2025

2. Significant accounting policies (continued)

Financial instruments (continued)

Subsequent measurement

Financial assets and financial liabilities originating, acquired, issued, or assumed in arm's length transactions are subsequently measured as follows:

<u>Financial instrument</u>	<u>Subsequent measurement</u>
Cash and cash equivalents	Amortized cost
Accounts receivable	Amortized cost
Payables and accruals	Amortized cost
Investments	Fair value
Derivatives	Fair value (determined using a mark-to-market value provided by the issuing bank)
Long-term debt	Amortized cost

Impairment

Financial assets measured at cost or amortized cost are tested for impairment when indicators of impairment exist at the end of the reporting period. Previously recognized impairment losses are reversed to the extent of the improvement provided the financial asset is not carried at an amount, at the date of the reversal, greater than the amount that would have been the carrying amount had no impairment loss been recognized previously. The amounts of any write-downs or reversals are recognized in net income.

Vacation payable

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

Pension expense and obligation

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.

Holland College

Notes to the Consolidated Financial Statements

March 31, 2025

2. Significant accounting policies (continued)

Use of estimates

Management reviews the carrying amounts of items in the financial statements at each balance sheet date to assess the need for revisions. Many items in the preparation of these financial statements require management's best estimate based on assumptions that reflect the most probable set of economic conditions and planned courses of action.

These estimates are reviewed periodically and adjustments are made to net income as appropriate in the year they become known.

Key areas where management has made complex or subjective judgments (often as a result of matters that are inherently uncertain) include, among others, amounts recorded for provision for doubtful accounts which depend on estimates of the expected recoverability of such amounts based on historical results, 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. Actual results could differ from these and other estimates, the impact of which would be recorded in future periods.

3. Accounts receivable	2025	2024
Trade	\$ 14,050,790	\$ 14,731,658
Student	1,200,413	2,756,755
Related party (Note 16)	130,852	325,241
HST receivable	184,700	182,541
Allowance for doubtful accounts	(668,618)	(1,797,231)
	<u>\$ 14,898,137</u>	<u>\$ 16,198,964</u>

4. Property and equipment

			2025	2024
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ 8,801,204	\$ -	\$ 8,801,204	\$ 8,801,204
Buildings	90,572,108	34,628,444	55,943,664	58,207,967
Major building alterations	34,796,085	19,285,991	15,510,094	10,603,501
Equipment	16,587,034	12,707,826	3,879,208	3,896,704
Paving	597,492	508,900	88,592	102,184
	\$ 151,353,923	\$ 67,131,161	\$ 84,222,762	\$ 81,611,560

At March 31, 2025, \$1,384,193 of the major building alterations were not being depreciated as they were not available for use at that time.

Holland College

Notes to the Consolidated Financial Statements

March 31, 2025

5. 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, 2025 and these values are used to determine the fair value of the swap loans as detailed below:

	2025		2024	
	Notional amount	Fair value	Notional amount	Fair value
2.30% fixed, maturing July 2038	\$ 9,591,000	\$ 236,648	\$ 10,276,000	\$ 879,966
2.30% fixed, maturing February 2032	3,489,000	15,254	3,939,000	196,333
4.20% fixed, maturing April 2030	3,052,000	(144,397)	3,582,000	(54,595)
2.65% fixed, maturing August 2031	2,391,000	(18,860)	2,721,000	93,479
3.83% fixed, maturing June 2030	1,944,000	(75,031)	2,267,000	(9,228)
2.62% fixed, maturing February 2030	1,287,000	(7,575)	1,527,000	49,564
3.63% fixed, maturing May 2033	1,129,000	(52,941)	1,256,000	(4,342)
2.00% fixed, maturing September 2035	780,000	22,337	838,000	68,922
2.56% fixed, maturing March 2032	620,000	(2,920)	700,000	27,645
2.15% fixed, maturing October 2027	550,000	3,151	586,000	31,231
1.86% fixed, maturing July 2039	467,000	26,302	495,000	56,667
2.54% fixed, matured January 2025	-	-	229,000	2,680
	<u>\$ 25,300,000</u>	<u>\$ 1,968</u>	<u>\$ 28,416,000</u>	<u>\$ 1,338,322</u>

6. Payables and accruals

	2025	2024
Trade	\$ 8,284,805	\$ 9,496,531
Accrued payroll	<u>1,873,591</u>	<u>419,080</u>
	<u>\$ 10,158,396</u>	<u>\$ 9,915,611</u>

7. Deferred grant contributions

	2025	2024
Beginning balance	\$ 4,178,624	\$ 3,915,068
Less: Contributions recognized as revenue during the year	(2,954,045)	(2,211,756)
Add: Contributions received during the year	<u>2,679,098</u>	<u>2,475,312</u>
	<u>\$ 3,903,677</u>	<u>\$ 4,178,624</u>

Holland College

Notes to the Consolidated Financial Statements

March 31, 2025

8. Long-term debt

	<u>2025</u>	<u>2024</u>
Royal Bank of Canada, interest rate swap contract, 2.30%, payable in monthly installments of principal and interest as determined by a floating rate calculation, secured by a promissory note, amortized over 21 years ending on July 2038	\$ 9,727,000	\$ 10,276,000
Royal Bank of Canada, interest rate swap contract, 2.30%, payable in monthly installments 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	3,493,000	3,939,000
Royal Bank of Canada, interest rate swap contract, 4.20% payable in monthly installments 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	3,075,000	3,582,000
Royal Bank of Canada, interest rate swap contract, 2.65%, payable in monthly installments 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	2,395,000	2,721,000
Royal Bank of Canada, interest rate swap contract, 3.83%, payable in monthly installments 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	1,949,000	2,267,000
Royal Bank of Canada, interest rate swap contract, 2.62%, payable in monthly installments 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	1,291,000	1,527,000
Royal Bank of Canada, interest rate swap contract, 3.63%, payable in monthly installments of principal and interest as determined by a floating rate calculation, secured by a promissory note, amortized over 15 years ending on May 22, 2033	1,131,000	1,256,000
Royal Bank of Canada, interest rate swap contract, 2.00%, payable in monthly installments 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	770,759	838,000
Royal Bank of Canada, interest rate swap contract, 2.56%, payable in monthly installments 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	626,994	700,000
Royal Bank of Canada, interest rate swap contract, 2.15%, payable in monthly installments 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	549,000	586,000

Holland College
Notes to the Consolidated Financial Statements
 March 31, 2025

8. Long-term debt (continued)

	<u>2025</u>	<u>2024</u>
Royal Bank of Canada, interest rate swap contract, 1.86%, payable in monthly installments 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	467,000	495,000
Repaid during the year	<u>-</u>	<u>229,000</u>
	25,474,753	28,416,000
Less current portion	<u>2,817,000</u>	<u>2,947,000</u>
Due beyond one year	<u>\$ 22,657,753</u>	<u>\$ 25,469,000</u>
Estimated principal repayments are as follows:		
2026	\$ 2,817,000	
2027	2,928,000	
2028	3,474,000	
2029	3,121,000	
2030	3,196,000	
Subsequent years	<u>9,938,753</u>	
	<u>\$ 25,474,753</u>	

Interest on the above debt amounted to \$679,971 (2024 - \$1,104,682) for the year.

The College has a demand operating loan from the Royal Bank of Canada in the amount of \$Nil (2024 - \$Nil) which is available to a maximum of \$2,000,000 and bears interest at the Royal Bank prime rate less 0.5%.

Holland College

Notes to the Consolidated Financial Statements

March 31, 2025

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.

	2025	2024
Beginning balance	\$ 42,340,037	\$ 38,215,207
Add:		
Contributions - capital assets	1,023,248	4,926,720
Contributions - debt servicing	1,842,023	1,774,949
Less:		
Amounts amortized to revenue - capital assets	(1,999,935)	(1,703,167)
Amounts amortized to revenue - debt servicing	(866,127)	(873,672)
	<u>\$ 42,339,246</u>	<u>\$ 42,340,037</u>

10. 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.

	2025	2024
Change in benefit obligation:		
Benefit obligation - beginning of the year	\$ 5,534,100	\$ 5,288,700
Current service cost	350,500	337,100
Finance cost	266,500	262,100
Benefit payments	(495,700)	(413,800)
Remeasurements	193,300	41,900
Defined contribution provision	24,600	18,100
Benefit obligation - end of the year	<u>\$ 5,873,300</u>	<u>\$ 5,534,100</u>

Significant actuarial assumptions:

	2025	2024
CPI increase	2.00%	2.00%
Discount rate - Supplemental Retirement Plan	4.20%	4.80%
Discount rate - Severance Award Program	4.35%	4.80%
Rate of increase in future compensation	3.00%	3.00%

Holland College

Notes to the Consolidated Financial Statements

March 31, 2025

11. Accrued pension asset (liability)

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:

	<u>2025</u>	<u>2024</u>
Change in benefit obligation:		
Benefit obligation - beginning of the year	\$ 167,786,800	\$ 162,333,100
Current service cost	2,127,400	2,292,900
Employees contributions	2,818,900	2,635,100
Interest cost on defined benefit obligation	10,519,100	10,201,400
Benefit payments	(10,218,500)	(9,698,300)
Other	-	22,600
Benefit obligation - end of the year	<u>173,033,700</u>	<u>167,786,800</u>
Change in plan assets:		
Fair value of plan assets - beginning of the year	163,301,700	154,684,700
Interest income on plan assets	10,101,000	9,580,300
Administration costs	(286,800)	(309,200)
Employer contributions	2,956,500	2,936,700
Employee contributions	2,818,900	2,635,100
Actuarial gain on plan assets	5,300,200	3,472,400
Benefits paid	(10,218,500)	(9,698,300)
Benefit asset - end of the year	<u>173,973,000</u>	<u>163,301,700</u>
Accrued benefit asset (liability)	<u>\$ 939,300</u>	<u>\$ (4,485,100)</u>
	<u>2025</u>	<u>2024</u>
Net expense:		
Current service cost (employer)	\$ 2,127,400	\$ 2,292,900
Administration costs	286,800	309,200
Interest income on plan assets	(10,101,000)	(9,580,300)
Interest cost on defined benefit obligation	<u>10,519,100</u>	<u>10,201,400</u>
Net expense	<u>\$ 2,832,300</u>	<u>\$ 3,223,200</u>

Holland College

Notes to the Consolidated Financial Statements

March 31, 2025

11. Accrued pension asset (liability) (continued)

Significant actuarial assumptions:

	2025	2024
Expected long-term rate of return on plan assets - members prior to April 1, 2015	6.30%	6.30%
Expected long-term rate of return on plan assets - members on or after April 1, 2015	5.95%	5.95%
Rate of increase in future compensation	3.00%	3.00%

12. Commitments

The College's total commitments, under various operating leases, exclusive of occupancy costs, is as follows:

2026	\$ 709,642
2027	713,108
2028	716,674
2029	6,900
2030	6,900
	<u>\$ 2,153,224</u>

13. Other Operating Costs

	2025	2024
Advertising	\$ 494,826	\$ 581,231
Bad debt expense	531,163	156,326
Contract services	1,496,640	1,476,037
Graduation	143,632	127,904
Interest on long-term debt	679,971	1,014,682
Lab fees	413,282	392,377
Laundry	82,280	70,453
Legal	131,181	122,444
Membership fees	115,311	116,801
Other (recovery)	(115,549)	(59,739)
Photocopy	212,652	235,836
Postage	26,644	30,816
Provider fees	1,451,911	1,466,802
Registration and maintenance fees	209,861	187,818
Software	1,303,404	1,257,242
Staff development	199,377	181,851
Study tour costs	62,143	39,612
	<u>\$ 7,438,729</u>	<u>\$ 7,398,493</u>

Holland College
Notes to the Consolidated Financial Statements
 March 31, 2025

14. Investment in capital assets

Investment in capital assets is calculated as follows:

	<u>2025</u>	<u>2024</u>
Capital assets	\$ 84,222,762	\$ 81,611,560
Add: accumulative direct increase to net assets	1,308,005	1,308,005
Amounts financed by:		
Deferred capital contributions	(42,339,246)	(42,340,037)
Long-term debt	(25,474,753)	(28,416,000)
Amounts unspent:		
Deferred capital contributions	<u>2,944,829</u>	<u>7,464,411</u>
	<u>\$ 20,661,597</u>	<u>\$ 19,627,939</u>

Net change in investment in capital assets:

	<u>2025</u>	<u>2024</u>
Purchase and contribution of capital assets	\$ 7,916,416	\$ 7,340,312
Amounts funded by:		
Deferred contributions	(5,542,831)	(3,937,306)
Repayment of long-term debt	2,941,247	3,323,000
Contributions - debt servicing	(1,842,023)	(1,774,949)
Amortization of deferred contributions - capital	1,999,935	1,703,167
Amortization of deferred contributions - debt servicing	866,127	873,672
Amortization of capital assets	<u>(5,305,213)</u>	<u>(4,621,729)</u>
	<u>\$ 1,033,658</u>	<u>\$ 2,906,167</u>

Holland College

Notes to the Consolidated Financial Statements

March 31, 2025

15. Financial instruments

The College is exposed to various risks through its financial instruments. The following analysis provides a measure of the College's risk exposures and concentrations at March 31, 2025.

(a) 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 \$14,050,790 (2024 - \$14,731,658) in trade receivables, government agencies accounted for 85% (2024 - 85%). 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.

(b) Liquidity risk

Liquidity risk is the risk that the College will encounter difficulty in meeting the obligations associated with its 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 long-term debt and accounts payable.

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.

(c) 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.

Holland College

Notes to the Consolidated Financial Statements

March 31, 2025

15. Financial instruments (continued)

(c) Market risk (continued)

(i) 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 \$25,300,000 (2024 - \$28,416,000) 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 5. The risk remains unchanged from the prior year.

16. 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:

	<u>2025</u>	<u>2024</u>
As at March 31		
Balance sheet:		
Total assets (Note 16 (1))	\$ 11,694,622	\$ 10,773,225
Total liabilities	<u>(131,114)</u>	<u>(274,802)</u>
Total net assets	<u>\$ 11,563,508</u>	<u>\$ 10,498,423</u>
	<u>2025</u>	<u>2024</u>
For the year ended March 31		
Results of operations:		
Total revenue (Note 16 (2))	\$ 3,718,456	\$ 3,438,150
Total expenses (Note 16 (2))	<u>(2,652,733)</u>	<u>(2,241,566)</u>
Excess of revenue over expenses	<u>\$ 1,065,723</u>	<u>\$ 1,196,584</u>

Holland College
Notes to the Consolidated Financial Statements
 March 31, 2025

16. Related Entity (continued)

Cash flows:

Cash (used) received from operations	\$	(111,681)	\$	147,904
Cash used in investing activities		<u>(152,500)</u>		<u>(87,180)</u>
	\$	<u>(264,181)</u>	\$	<u>60,724</u>

(1) The Foundation's net assets of \$9,791,779 (2024 - \$8,754,162) 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 \$614,475 (2024 - \$585,347) to the Foundation for payment of the administration costs of the Foundation. During the year, the College received \$323,460 (2024 - \$362,383) in donations from the Foundation, of which \$130,852 (2024 - \$325,241) was receivable at year end. The donations were used to fund expenditure and capital projects.

17. Comparative figures

Comparative figures have been adjusted to conform to changes in the current year presentation.
