CONSOLIDATED FINANCIAL STATEMENTS 2019

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Independent Auditors’ Report

To the Board of Governors of the Nova Scotia Community College

Opinion

We have audited the consolidated nancial statements of Nova Scotia Community College (the Entity), which comprise:

- the consolidated statement of nancial position as at March 31, 2019
- the consolidated statement of operations and accumulated surplus for the year then ended
- the consolidated statement of changes in net nancial assets for the year then ended
- the consolidated statement of cash ows for the year then ended
- and notes to the consolidated nancial statements, including a summary of signi cant accounting policies and other explanatory information.

(Hereinafter referred to as the “ nancial statements”).

In our opinion, the accompanying nancial statements present fairly, in all material respects, the consolidated nancial position of the Entity as at March 31, 2019, and its consolidated results of operations, its consolidated changes in net nancial assets and its consolidated cash ows for the year then ended in accordance with Canadian public sector accounting standards.

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 “Auditors’ Responsibilities for the Audit of the Financial Statements” section of our auditors’ report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the nancial statements in Canada and we have ful lled our other responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is suf cient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation and fair presentation of the nancial statements in accordance with Canadian public sector accounting standards and for such internal control as management determines is necessary to enable the preparation of nancial statements that are free from material misstatement, whether due to fraud or error.

In preparing the nancial statements, management is responsible for assessing the Entity’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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity’s nancial reporting process.

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	2019	2018
Financial assets		
Cash (Note 14)	$ 42,361,136	$ 38,168,315
Investments (Note 14)	41,357,270	34,139,548
Accounts receivable (Note 3)	15,281,506	24,527,794
Provincial receivable - future health benefits (Note 12)	64,796,633	50,887,700
Inventory for resale	802,705	831,869
	164,599,250	148,555,226
Liabilities		
Accounts payable and accrued liabilities	27,631,028	32,797,207
Deferred revenue - restricted funding (Note 5)	9,074,871	5,905,541
Deferred revenue - Foundation (Note 6)	21,410,160	14,966,044
Employee future benefit obligations (Note 12)	86,271,285	75,898,705
Accrued obligation for other compensated absences (Note 13)	1,619,582	

	Budget	2019	2018
Revenues			
Labour and Advanced Education - core grant	$ 138,848,000	$ 145,056,878	$ 138,324,000
Labour and Advanced Education - retirement health benefits	-	14,575,703	4,688,700
Labour and Advanced Education - other	17,926,641	19,667,394	18,713,055
Tuition and fees	33,101,380	36,959,614	34,916,389
Contract training and service contracts	3,889,295	2,140,619	2,981,327
Other (Note 8)	15,213,431	26,663,401	24,177,846
Contributions related to tangible capital assets (Note 7)	-	-	443,623
	208,978,747	245,063,609	224,244,940
Expenditures			
Salaries and benefits	159,172,309	184,593,074	161,561,491
Operating supplies and services	27,802,703	33,606,977	32,421,923
Equipment, rentals and other administration	7,833,901	12,894,547	15,135,122
Utilities and maintenance	10,069,834	10,530,193	10,363,832
Amortization of tangible capital assets	4,100,000	3,734,422	4,560,520
	208,978,747	245,359,213	224,042,888
Annual (loss)/surplus before the undernoted	-	(295,604)	202,052
Net revenue from Foundation operations	197,500	61,471	96,878
Annual (loss)/surplus	197,500	(234,133)	298,930
Accumulated surplus, beginning of year	28,622,921	28,622,921	28,323,991
Accumulated surplus, end of year	$ 28,820,421	$ 28,388,788	$ 28,622,921

Consolidated Statement of Cash Flows

Year ended March 31

	2019	2018
Increase (decrease) in Cash		
Operating		
Annual (loss)/surplus	$ (234,133)	$ 298,930
Adjustments for:		
Amortization of tangible capital assets	3,734,422	4,560,520
Amortization of deferred revenue related to tangible capital assets	-	(443,623)
Loss on disposal of tangible capital assets	3,854	-
Employee future benefit obligations	10,372,580	3,750,235
Provincial receivable - future health benefits	(13,908,933)	(4,110,100)
Accrued obligation for other compensated absences	54,907	110,549
Gain on sale of investments	(55,648)	(36,815)
Gain from fund distributions	(288,646)	(243,413)
Unrealized gain on investments	(222,318)	(413,549)
Changes in non-cash working capital (Note 10)	14,164,646	(9,776,518)
	13,620,731	(6,303,784)
Capital		
Purchase of tangible capital assets	(2,776,800)	

1. Overview of Operations

2. Significant Accounting Policies

2. Significant Accounting Policies (continued)

Inventory for resale

Inventory for resale consists of merchandise and supplies held for resale and is valued at the lower

2. Significant Accounting Policies (continued)

3. Accounts Receivable

		2019		2018
Organizations	$	5,223,584	$	13,599,234
Student tuition and fees		1,127,610		1,386,600
Government funding		7,922,455		8,917,292
Harmonized sales tax		1,262,387		1,428,315
Allowance for doubtful accounts		(254,530)		(803,647)
	$	15,281,506	$	24,527,794

5. Deferred Revenue – Restricted Funding

Deferred revenue represents the unearned portion of amounts received for speci c purposes and is summarized as follows:

		2019		2018
Applied research	$	1,361,310	$	824,458
Business development		190,745		228,404
Continuing education		202,751		147,186
Cost recovery programs		617,998		582,085
Adult learning program		875,211		-
Achieve		954,243	294,435	294,435
One NS Dashboard		731,677		-
Disability resources		414,150		743,010

6. Deferred Revenue – Foundation

The Foundation's deferred contributions includes amounts received from donors and funders that have been restricted or endowed for scholarships, bursaries, projects and other program expenditures that will occur in the future. The terms of these external restrictions and endowments also restrict the use of net investment income earned on these funds.

	Restricted Fund	Endowment Fund	Total
Balance, March 31, 2017	$ 2,931,521	$ 7,390,599	$ 10,322,120
Contributions	2,379,798	2,836,605	5,216,403
Investment income	46,754	261,853	308,607
Unrealized loss on investments	62,653	350,896	413,549
Gain on sale of investments	42,454	237,772	280,226
Revenue recognized	(1,002,594)	(572,267)	(1,574,861)
Balance, March 31, 2018	$ 4,460,586	$ 10,505,458	$ 14,966,044
Contributions	2,528,185	5,330,913	7,859,098
Investment income	52,812	365,854	418,666
Unrealized gain on investments	28,044	194,274	222,318
Gain on sale of investments	43,454	301,029	344,483
Revenue recognized	(1,544,854)	(855,595)	(2,400,449)
Balance, March 31, 2019	$ 5,568,227	$ 15,841,933	$ 21,410,160

As a result of external restrictions and endowments the College has restricted investments of $20,132,458 (2018 - $13,352,469) related to externally restricted and endowment funds.

7. Deferred Revenue Related to Tangible Capital Assets

Deferred revenue related to tangible capital assets represents funding received from Labour and Advanced Education used to acquire tangible capital asset additions which is repayable if stipulations are not met. As stipulations are satis ed and amounts are no longer repayable, the contributions are recognized as revenue. The changes in the

10. Changes in Non-Cash Working Capital

	2019	

Notes to the Consolidated Financial Statements

March 31, 2019

11. Pension Plans (continued)

The Plan's consulting actuaries, Eckler Limited, performed a valuation as at December 31, 2018 and issued their report in April 2019. The report indicated that the Plan had an unfunded liability of $1,617,642,000 (2017 - $1,406,234,000). The College is not responsible for, or cannot bene t from, de cits or surpluses of the plan other than changes to employer contribution rates.

12. Employee Future Benefit Obligations

College employees are entitled to several bene ts as follows:

	2019	2018
College service award	$ 598,362	$ 5,673,549
Non-pension retirement benefits - NSGEU and non-union employees	20,876,290	19,337,456
Non-pension retirement benefits - NSTU	26,213,533	50,887,700
Non-pension retirement benefits - NSCCAU	38,583,100	-
Benefit obligation - College service award	$ 86,271,285	$ 75,898,705

College Service Award

An employee hired on or after August 1, 1998 who retires because of age or mental or physical incapacity will be granted a College service award (“CSA”) equal to 1% of the employee’s annual salary for each year of continuous service to a maximum of 25 years. Effective April 1, 2015 the CSA was frozen with no further years of service permitted. Adjustments to the bene t related to salary increases remained consistent with the existing agreement. There are no employee contributions in respect of the plan. There is no distinct fund held in respect of the CSA bene ts, but suf cient cash is maintained to cover the obligation, with bene ts paid from unrestricted cash. The bene ts paid during the year were $5,308,701 (2018 - $1,899,626).

In 2018 and 2019, the Province offered a one-time payout option to all non-union, management and bargaining unit employees who have a service award and whose service was previously frozen. The difference between the value of the one-time payout option and the amount of the bene t obligation is re ected as part of the bene ts paid during 2018 and 2019 for the CSA as this represents a partial plan settlement. This resulted in a reduction of the bene t obligation of $174,947.

12. Employee Future Benefit Obligations (continued)

College Service Award (continued)

An actuarial valuation was completed as of March 31, 2019 and the College's obligation relating to these bene ts includes:

		2019		2018
College service award accrued benefit obligation	$	586,000	$	5,463,000
Unamortized actuarial gain		12,362		210,549
Benefit obligation - College service award	$	598,362	$	5,673,549

The total expense related to the CSA bene t include the following components:

		2019		2018
Interest expense	$	73,122	$	125,664
Loss on partial plan settlement		174,947		-
Amortization of actuarial gains		(14,554)		(26,814)
Total expense related to obligation	$	233,515	$	98,850

The signi cant actuarial assumptions adopted in estimating the College's obligation are as follows:

Future salary increase	3% per annum (2018 - 3% per annum)
Discount rate	2.70% per annum (2018 – 2.45% per annum)
Retirement age	10% at age 59; 20% at age 60; 10% at each year from ages 61-64; 50% at each year from ages 65- 69; 100% at age 70; 20% at each year on or after 80 points (age + service) is reached for employees hired before April 6, 2010, if greater than age based rate; 40% when 35 years of service

12. Employee Future Benefit Obligations (continued)

Non-pension Retirement Benefits – NSGEU and non-union employees (continued)

An actuarial valuation was completed as of March 31, 2019 and the College's obligation relating to these bene ts includes:

	2019	2018
NSGEU and non-union employees accrued benefit obligation	$ 17,897,767	$ 16,142,996
Unamortized actuarial gain	2,978,523	3,194,460
Benefit obligation - NSGEU and non-union employees	$ 20,876,290	$ 19,337,456

The total expense related to the NSGEU bene t include the following components:

	2019	2018
Current period benefit costs	$ 1,471,328	$ 1,399,896
Interest expense	410,956	321,061
Amortization of actuarial gain	(133,518)	(51,821)
Total expense related to the NSGEU and non-union employees	$ 1,748,766	$ 1,669,136

The signi cant actuarial assumptions adopted in estimating the College's obligation are as follows:

Discount rate	2.70% per annum (2018 – 2.45% per annum)
Retirement age	20% upon attainment of age 55 and 80 points (age plus service) if hired before April 6, 2010 or 85 points if hired on or after April 6, 2010; the remainder at 35 years of service or age 60, whichever is earlier
EARSL	12 years (2018 – 10 years)

Non-pension Retirement Benefits - NSTU

In 2007/2008, the Province transferred the future liability for the non-pension retirement bene ts for the College's teaching and professional support staff to the College. The Province also transferred a corresponding receivable that directly offsets the liability. There is no impact on the annual surplus or net nancial position of the College as a result of the transfers. The bene ts paid during the year were $636,300 (2018 - $578,600).

12. Employee Future Benefit Obligations (continued)

Non-pension Retirement Benefits - NSCCAU

Effective July 1, 2018, NSCCAU employees (formerly in NSTU) were transferred to the new NSCC Group Insurance and Bene ts Plan from the Teachers' Retirement Health Bene ts Plan (the Teacher's Plan). The new plan provides the same post-retirement bene ts as the Teachers' Plan. This resulted in a prior period service cost of $35,868,900 as a result of members transferred from the NSTU plan.

The Province continues to assume responsibility for non-pension bene ts of these employees for past and future service. As a result, a corresponding receivable that directly offsets the liability is recognized. There is no impact on the annual surplus or net nancial position of the College as a result of the transfers. The bene ts paid during the year were $30,500.

An actuarial valuation was completed as of March 31, 2019 and the College's obligation relating to these bene ts includes:

		2019		2018
NSCCAU accrued benefit obligation	$	39,172,000	$	-
Unamortized actuarial loss		(588,900)		-
Benefit obligation - NSCCAU	$	38,583,100	$	-

The total expense related to the NSCCAU bene t include the following components:

		2019		2018
Current period benefit costs	$	1,837,300	$	-
Interest expense		907,400		-
Total expense related to the NSCCAU obligation	$	2,744,700	$	-

The signi cant actuarial assumptions provided by the Province are as follows:

Discount rate	3.29% per annum
Retirement age	50% at rule of 85, remainder at earlier of 35 years of credited service, age 62 with 10 years of credited service, and age 65 with 2 years of credited service.
EARSL	10 years

Notes to the Consolidated Financial Statements

March 31, 2019

14. Financial Instruments

a) Financial risk factors

The College has exposure to credit risk, liquidity risk, and market risk. The College's Board of Governors has overall responsibility for the oversight of these risks and reviews the College's policies on an ongoing basis to ensure that these risks are appropriately managed. The source of risk exposure and how each is managed is outlined below:

(i) Credit risk

Credit risk arises with the uncertainties of predicting the nancial dif culties students and corporations may experience, which could cause them to be unable to ful ll their commitments to the College. The College mitigates this risk by having a diversi ed mix of students and corporations, thereby limiting the exposure to a single individual or corporation. The College's credit risk is limited to the recorded amount of accounts receivable, investment and cash. The College performs a continuous evaluation of its accounts receivable balance and records an allowance for doubtful accounts as required. The amount of accounts receivable disclosed on the statement of nancial position is net of allowances for bad debts, estimated by management based on prior experience and their assessment of the current economic environment. The College also manages credit risk by holding its cash and i(urr)250 (od)5 7sur]25 (c)1c10 ( )]TJ ET

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