CONSOLIDATED FINANCIAL STATEMENTS 2020

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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, 2020
- 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, 2020, 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 ethical 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.

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Consolidated Statement of Cash Flows

Year ended March 31

	2020	2019
Increase in cash		
Operating		
Annual surplus/(loss)	$ 2,670,347	$ (234,133)
Adjustments for:		
Amortization of tangible capital assets	3,850,804	3,734,422
Loss on disposal of tangible capital assets	-	3,854
Employee future benefit obligations	6,637,629	10,372,580
Provincial receivable - future health benefits	(5,482,282)	(13,908,933)
Accrued obligation for other compensated absences	189,316	54,907
Gain on sale of investments	(506,707)	(55,837)
Gain from fund distributions	(139,523)	(288,646)
Unrealized gain/(loss) on investments	2,401,018	(222,318)
Changes in non–cash working capital (Note 9)	3,800,441	14,164,646
	13,421,043	13,620,542
Capital		
Purchase of tangible capital assets	(7,332,111)	(2,776,800)
	(7,332,111)	(2,776,800)
Investing		
Proceeds on sale of investments	22,967,824	21,087,394
Purchase of investments	(23,357,431)	(27,738,315)
	(389,607)	(6,650,921)
Net increase in cash	5,699,325	4,192,821
Cash, beginning of year	42,361,136	38,168,315
Cash, end of year	$ 48,060,461	$ 42,361,136

See accompanying notes to the consolidated nancial statements

1. Overview of Operations

The Nova Scotia Community College (the "College") was established as a post-secondary public education corporation under the authority of the Community College Act of Nova Scotia effective April 1, 1996.

The College, with thirteen campuses across the Province of Nova Scotia (the "Province"), is responsible for enhancing the economic and social well-being of Nova Scotia by meeting the occupational training requirements of the population and the labour market.

On March 12, 2020, the World Health Organization declared the spread of COVID-19 to be a pandemic. As a result, the Province took measures that resulted

2. Signi cant Accounting Policies (continued)

Inventory for resale

Inventory for resale consists of merchandise and supplies held for resale and is valued at the lower of weighted average cost and net realizable value. Administrative and program supplies and library periodicals are not inventoried.

Revenue recognition

The College derives certain revenues from various funding agencies, which are recorded in the period in which the entitlement arises. Tuition and fees, contract training and service contracts and other income are recorded as goods are sold and services are provided and when collection is reasonably assured.

Government and other contributions are recognized as revenue in the period the transfer is authorized, and all eligibility criteria have been met, except when and to the extent the transfer includes stipulations which have not yet been met.

Government and other contributions with stipulations are initially deferred and recognized as revenue as the related stipulations are met.

Unrestricted donations and gifts are recorded as revenue when received or receivable if the amounts to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the year the related expenses are recognized. Endowment contributions by their nature are not recognized as revenue but held as a deferred contribution inde nitely.

Investment income is recorded on an accrual basis. Restricted investment income, either as a result of external restrictions or the terms of endowment agreements, is recognized as revenue in the year in which the related expenses are recognized. Unrestricted investment revenue, including income related to internally restricted funds is recognized when earned. Investments are recorded on a trade-date basis. All transaction costs associated with acquisition and disposition of investments are expensed to the statement of operations, accumulated surplus and net nancial assets as incurred.

Pension plans

The employees of the College belong to the Nova Scotia Public Service Superannuation Plan or the Nova Scotia Teachers' Union Pension Plan, which are multi-employer joint trustee plans. These plans are de ned bene t plans, providing a pension on retirement based on the member's age at retirement, length of service and highest earnings averaged over ve years. In ation adjustments are contingent upon available funding. The College accounts for these plans as de ned contribution plans. The contributions to the plans required during the year are recorded as an expense.

2. Signi cant Accounting Policies (continued)

Employee future bene t obligations

The College provides a service award to eligible employees who retire based on a percentage of compensation and years of service earned up until April 1, 2015. Effective April 1, 2015 the College's service award (the "CSA") was effectively frozen, consistent with the Public Services Sustainability Act. The plan is frozen in terms of service earned, however, salary will continue to accrue consistently with the terms of the expired collective agreements and the non-bargaining unit employees. This award is paid to eligible employees in the year of retirement.

The College also pays the cost of life insurance and health care bene ts for all retirees or surviving spouses of retirees. The program is funded each year by the payment of the required premiums.

The College accrues its bene t liabilities under the above noted plans as the employees render the services necessary to earn the future bene ts. The cost of post-retirement bene ts earned by employees is actuarially determined using the projected unit method pro-rated on service and management's best estimate of salary escalation, retirement ages of employees and expected health care costs (note 11).

Accrued obligation for other compensated absences

Certain employees of the College are entitled to sick-pay bene ts which accumulate but do not vest. In accordance with PSAS for post-employment bene ts and compensated absences, the College recognizes the liability for accumulative sick-pay bene ts in the period in which the employee renders service (note 12).

Statement of re-measurement gains and losses

The College has not presented a statement of re-measurement gains and losses as nancial instruments measured at fair value relate to deferred revenue and unrealized gains and losses are deferred with the original contribution.

Use of estimates

The preparation of nancial statements in conformity with Canadian PSAS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the nancial statements and the reported amounts of revenue and expenses during the reporting period. Signi cant areas requiring the use of management estimates include the allowance for doubtful accounts, amortization periods for tangible capital assets and deferred revenue, employee future bene ts, and certain accrued liabilities. Actual results could differ from those estimates.

The COVID-19 pandemic resulted in a signi cant economic uncertainty and consequently it may be dif cult to reliably measure the impact on the measurement of assets and liabilities at March 31, 2020. Management's estimates related to the allowance for doubtful accounts and the determination of employee future bene ts could differ materially from the amounts included in these nancial statements if assumptions and estimates made by management are different from the actual results.

3. Accounts Receivable

	2020	2019
Organizations	$ 7,357,922	$ 5,223,584
Student tuition and fees	1,596,297	1,127,610
Government funding	3,180,625	7,922,455
Harmonized sales tax	2,387,847	1,262,387
Allowance for doubtful accounts	(487,673)	(254,530)
	$ 14,035,018	$ 15,281,506

4. Tangible Capital Assets

	2020			2019
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	$ 1,243,123	$ -	$ 1,243,123	$ 1,243,123
Buildings	464,008	99,452	364,556	379,746
Computer equipment	8,831,552	8,634,569	196,983	353,386
Furniture and equipment	48,585,289	42,367,975	6,217,314	5,612,288
Leasehold improvements	8,687,632	7,444,821	1,242,811	1,602,920
Construction in progress	5,324,755	-	5,324,755	-
	$ 73,136,359	$ 58,546,817	$ 14,589,542	$ 9,191,463

5. Deferred Revenue – Restricted Funding

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

	2020	2019
Applied research	$ 918,398	$ 1,361,310
Business development	80,798	190,745
Continuing education	203,763	202,751
Cost recovery programs	1,135,550	617,998
Adult learning program	875,211	875,211
Achieve	1,065,475	954,243
One NS Dashboard	416,228	731,677
Disability resources	361,714	414,150
Other	4,076,447	3,726,786
	$ 9,133,584	$ 9,074,871

7. Other Revenue

		2020		2019
Bookstore revenue	$	4,374,476	$	4,439,045
Food sales		1,344,565		1,426,351
Shop revenue		253,133		232,342
Interest		1,735,956		1,566,676
Recoveries		2,386,120		2,296,596
Capital recoveries		1,215,315		10,370
Applied research		2,702,445		3,114,255
Provincial service award recovery		437,258		4,251,731
Lodging, rent and miscellaneous		13,067,249		9,326,035
	$	27,516,517	$	26,663,401

8. Accumulated Surplus

Specific funds have been internally restricted by the Board of the College to ensure that the funds are used solely for College development projects. The Board of the College has restricted $4,722,923 (2019 – $4,722,923) for College development projects. Internally restricted funds are subject to internally imposed stipulations specifying the purpose for which they must be used. The College is in compliance with all restrictions applicable to these funds.

		2020		2019
Accumulated surplus - College operating	$	25,857,457	$	23,272,829
Accumulated surplus - internally restricted for College development		4,722,923		4,722,923
Accumulated surplus - Foundation				

9. Changes in Non-Cash Working Capital

	2020	2019
Accounts receivable	$ 1,246,488	$ 9,246,288
Inventory for resale	(219,176)	29,164
Prepaid expenses	(663,915)	441,927
Accounts payable and accrued liabilities - operating	2,914,367	(5,166,179)
Deferred revenue - restricted funding	58,713	3,169,330
Deferred revenue - Foundation	463,964	6,444,116
Changes in non-cash working capital from operations	$ 3,800,441	$ 14,164,646

The change in accounts payable and accrued liabilities related to the acquisition of tangible capital assets is $1,916,772 (2019 – NIL).

10. Pension Plans

The College contributes to two de ned bene t pension plans separately administered by the Public Service Superannuation Plan Trustee Inc. and the Teachers' Pension Plan Trustee Inc. The College accounts for these pensions as de ned contribution plans.

In the rst plan, the Nova Scotia Public Service Superannuation Plan, the Public Service Superannuation Plan Trustee Inc. assumes the actuarial and investment risk. The College matches employees' contributions calculated as follows: 8.4% (2019 – 8.4%) on the part of their salary that is equal to or less than the "Year's Maximum Pensionable Earnings" ("YMPE") under the Canada Pension Plan ("CPP") and 10.9% (2019 – 10.9%) on the part of their salary that is in excess of YMPE. Under this plan, the College has recognized contributions of $9,852,830 (2019 – $9,466,865) for the year.

Actuarial valuations of the Plan are conducted annually and provide an estimate of the accrued pension obligation (Plan liabilities) calculated using various economic and demographic assumptions, based on membership data as at the valuation date. The Plan's consulting actuaries, Mercer, performed a valuation as at December 31, 2018 and issued their report in June 2019. The report indicated that the Plan had a funding de cit of $112,134,000 (December 31, 2017 – funding excess of $254,878,000). 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.

In the second plan, the Nova Scotia Teachers' Union Pension Plan, the Province of Nova Scotia along with the Nova Scotia Teachers' Union ("NSTU") assumes the actuarial and investment risk. The College matches employees' contributions calculated as follows: 11.3% (2019 – 11.3%) on the part of their salary that is equal to or less than the YMPE under the CPP and 12.9% (2019 – 12.9%) on the part of their salary that is in excess of YMPE. Under this plan, the College has recognized contributions of $17,838,684 (2019 – $17,614,450) for the year.

11. Employee Future Bene t Obligations (continued)

College Service Award (continued)

An actuarial valuation was completed as of March 31, 2020 and the College's obligation relating to these bene ts includes:

	2020	2019
College service award accrued benefit obligation	$ 466,000	$ 586,000
Unamortized actuarial gain	21,731	12,362
Benefit obligation - College service award	$ 487,731	$ 598,362

The total expense related to the College service award bene t include the following components:

	2020	2019
Interest expense	$ 14,164	$ 73,122
Loss on partial plan settlement	-	174,947
Amortization of actuarial gains	(1,986)	(14,554)
Total expense related to obligation	$ 12,178	$ 233,515

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

Future salary increase	3% per annum (2019 – 3% per annum)
Discount rate	2.95% per annum (2019 – 2.70% 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 is reached if greater than previous described rates.
Expected Average Remaining Service Life (EARSL)	9 years (2019 – 9 years)

Non-pension Retirement Bene ts – NSGEU and non-union employees

In scal 2007/2008, the Province required the College to assume the future liability for non-pension retirement bene ts for the College's non-teaching staff and non-union employees.

The College created separate bank accounts that are held in respect of the non-pension retirement bene ts. These accounts have suf cient cash to cover the obligations associated with this liability. The amount of cash in this account is equal to the liability as noted below and is grouped with cash on the Statement of Financial Position. The bene ts paid during the year were $241,324 (2019 – $209,932).

11. Employee Future Bene t Obligations (continued)

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

An actuarial valuation was completed as of December 31, 2018 and extrapolated to March 31, 2020 and the College's obligation relating to these bene ts includes:

	2020	2019
NSGEU and non-union employees accrued benefit obligation	$ 17,274,109	$ 17,897,767
Unamortized actuarial gain	4,868,159	2,978,523
Benefit obligation - NSGEU and non–union employees	$ 22,142,268	$ 20,876,290

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

	2020	2019
Current period benefit costs	$ 1,138,599	$ 1,471,328
Interest expense	495,353	410,956
Amortization of actuarial gain	(126,650)	(133,518)
Total expense related to the NSGEU and non–union employees	$ 1,507,302	$ 1,748,766

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

Discount rate	2.95% per annum (2019 – 2.70% 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, Ml349.4001 Tm (2020)Tj ET EMC /he EMC v70.40 e

11. Employee Future Bene t Obligations (continued)

Non-pension Retirement Bene ts – NSTU (continued)

Effective July 1, 2018, NSCC faculty and professional support staff formed a new union, NSCCAU, and their future bene ts were transferred to a new NSCC Group Insurance and Bene ts Plan (the "New Plan") funded by the Province of Nova Scotia. There was no substantive changes to the employees' entitlement under the New Plan. Current retirees and former NSTU staff that moved to management remain in the original post-retirement health bene ts plan. As a result, an accrued bene t obligation of $29,381,500 unamortized actuarial losses of $2,777,600 representing the obligations of transferred employees were derecognized. The net amount of $26,603,900 was recognized as a gain in 2019.

An actuarial valuation was completed as of December 31, 2017 and extrapolated to March 31, 2020 and the College's obligation relating to these bene ts includes:

	2020	2019
NSTU accrued benefit obligation	$ 30,953,198	$ 29,644,300
Unamortized actuarial loss	(3,289,740)	(3,430,767)
Benefit obligation - NSTU	$ 27,663,458	$ 26,213,533

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

	2020	2019
Current period benefit costs	$ 612,000	$ 1,115,600
Interest expense	970,800	1,146,200
Amortization of actuarial loss	438,825	304,233
Total expense related to the NSTU obligation	$ 2,021,625	$ 2,566,033

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

Discount rate	3.24% per annum (2019 – 3.29% per annum)

13. 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

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