Financial Statements of

NOVA SCOTIA COMMUNITY COLLEGE

March 31, 2008

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Independent Auditors' Report

To the Board of Governors of the
Nova Scotia Community College

We have audited the statement of financial position of the Nova Scotia Community College as at March 31, 2008 and the statements of revenue and expenditures, cash flows and changes in net assets for the year then ended. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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NOVA SCOTIA COMMUNITY COLLEGE
Statement of Financial Position
March 31, 2008

	2008	2007 (Restated - see Note 17)
ASSETS		
Current		
Cash	**$ 33,334,468**	$ 28,674,159
Accounts receivable (Note 4)	**14,111,746**	19,532,933
Inventory	**872,722**	752,044
Prepaids	**509,529**	254,096
	48,828,465	49,213,232
Capital assets (Note 5)	**3,875,251**	4,394,810
Foundation assets (Note 6)	**3,643,691**	2,323,720
Provincial Receivable - Future Health Benefits (Note 17)	**18,357,805**	16,718,000
Pensionable advance (Note 14)	**-**	555,557
	$ 74,705,212	$ 73,205,319
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 18)	**$ 22,419,482**	$ 27,359,948
Deferred revenue (Note 7)	**6,750,071**	5,760,777
	29,169,553	33,120,725
Deferred revenue related to capital assets (Note 8)	**2,484,307**	3,012,738
Employee future benefit obligation (Note 17)	**29,270,438**	24,964,548
	60,924,298	61,098,011
Commitments (Note 15)		
NET ASSETS		
Invested in capital assets (Note 9)	**1,390,944**	1,382,072
Unrestricted	**4,023,356**	3,678,593
Restricted for Foundation purposes (Note 6)	**3,643,691**	2,323,720
Restricted for College development (Note 13)	**4,722,923**	4,722,923
	13,780,914	12,107,308
	$ 74,705,212	$ 73,205,319

ON BEHALF OF THE BOARD

. . . . Director

. . . . Director

NOVA SCOTIA COMMUNITY COLLEGE
Statement of Cash Flows
Year ended March 31, 2008

		2008		2007 (Restated - see Note 17)
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES				
Operating				
Excess of revenue over expenditures	**$**	**353,635**	$	362,867
Items not affect cash:				
Amortization of deferred revenue related to capital assets		**(1,760,407)**		(1,920,604)
Amortization		**2,240,958**		2,722,225
Employee future benefit obligation		**4,305,890**		21,287,548

NOVA SCOTIA COMMUNITY COLLEGE
Statement of Changes in Net Assets
Year ended March 31, 2008

	Invested in Capital Assets	Unrestricted	Restricted for Foundation Purposes (Note 6)	Restricted for College Development (Note 13)	2008 Total	2007 Total
Balance, beginning of year	**$ 1,382,072**	**$ 3,678,593**	**$ 2,323,720**	**$ 4,722,923**	**$ 12,107,308**	$ 10,977,395
Adoption of financial instruments accounting policy (Note 2)	**-**	**-**	**(9,370)**	**-**	**(9,370)**	-
Excess (deficiency) of revenue over expenditures	**(480,551)**	**834,186**	**-**	**-**	**353,635**	362,867
Investment in capital assets	**489,423**	**(489,423)**	**-**	**-**	**-**	-
Endowment contributions and interest	**-**	**-**	**2,171,282**	**-**	**2,171,282**	1,490,964
Endowment disbursements	**-**	**-**	**(841,941)**	**-**	**(841,941)**	(723,918)
Balance, end of year	**$ 1,390,944**	**$ 4,023,356**	**$ 3,643,691**	**$ 4,722,923**	**$ 13,780,914**	$ 12,107,308

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.

The College has entered into a consent agreement with the Province that allows the College to construct facilities on land owned by the Province pursuant to the $123 million multi-year infrastructure investment announced by the Province on March 28, 2003. The investment will provide newer facilities, more space and revamped learning and student life areas across the Province. Ownership of the buildings, including the new Metro Campus, will remain with the Province. Costs associated with the project will be managed by the College and flow through a liability account, which is subsequently reimbursed by the Province. The expenditures are netted against the funds receivable from the Province and have no effect on the statement of revenue and expenditures.

2. CHANGES IN ACCOUNTING POLICIES

Financial instruments

The College adopted the following recommendations of the CICA Handbook:

a) Section 3855, *Financial Instruments – Recognition and Measurement.* This Section describes the standards for recognizing and measuring financial instruments in the balance sheet and the standards for reporting gains and losses in the financial statements. Under the new standard, financial assets and liabilities are initially recorded at fair value. Subsequently, financial instruments classified as financial assets or liabilities held for trading, financial assets available-for-sale and derivative financial instruments, part of a hedging relationship or not, have to be measured at fair value on the balance sheet at each reporting date, whereas other financial instruments are measured at amortized cost using the effective interest method.

b) Section 3861, *Financial instruments – Disclosure and Presentation*. This Section establishes standards for presentation of financial instruments and non-financial derivatives, and identifies the information that should be disclosed about them.

The College has made the following classification:

- Cash is classified as financial assets held for trading and are measured at fair value.
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2. CHANGES IN ACCOUNTING POLICIES (continued)

Transaction costs

Transaction costs will be expensed as incurred. There is no adjustment required to retained earnings as a result of this new policy.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital assets

Purchased capital assets are recorded at cost. Capital assets are amortized on a straight-line basis over the following estimated useful life:

Computer equipment	3 years
Furniture and equipment	5 years
Leasehold improvements	2 to 5 years

Land and buildings that are owned by the Province are not reflected in the assets of the College. Improvements made to these buildings are therefore expensed in the year. Improvements made to buildings with leases in place are capitalized and amortized over their useful life or the term of the lease, whichever is less.

Inventory

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

Revenue recognition

The College follows the deferral method of accounting for revenue. Tuition fees, residence fees and sales are recognized when the services are provided or the goods are sold. Funding for expenditures of future periods are deferred and recognized as revenue in the year in which the related expenditure is incurred. Funding received for capital assets are deferred and recognized as revenue on the same basis as the acquired capital assets are amortized.

Use of estimates

The preparation of financial information requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements as well as revenue and expenditures during the year. The accounts most subject to estimation and judgment include the allowance for doubtful accounts, amortization periods for capital assets, and certain accrued liabilities. Actual results may differ from those estimates.

Contributed services

The Province provides the College with buildings at thirteen campuses (in excess of two million square feet) and is responsible for the maintenance of the physical plant and building infrastructure, the benefit of which is not reflected in these financial statements because of the difficulty in determining the value.

4. ACCOUNTS RECEIVABLE

	2008	2007
Organizations	**$ 3,596,688**	$ 2,770,954
Student fees	**1,019,538**	1,922,699
Government funding	**5,789,315**	3,576,250
Development Project	**2,509,333**	10,042,323
Other	**780,724**	1,014,512
Harmonized Sales Tax	**1,057,797**	870,406
Allowance for doubtful accounts	**(641,649)**	(664,211)
	$ 14,111,746	$ 19,532,933

Included in other accounts receivable is $70,453 (2007 - $98,027) due from the Nova Scotia Community College Foundation.

5. CAPITAL ASSETS

	2008			2007
	Cost	**Accumulated Amortization**	**Net Book Value**	Net Book Value
Computer equipment	**$ 8,554,251**	**$ 8,021,340**	**$ 532,911**	$ 421,461
Furniture and equipment	**15,135,317**	**12,164,754**	**2,970,563**	3,415,684
Leasehold improvements	**2,100,822**	**1,729,045**	**371,777**	557,665
Management Information System	**6,197,789**	**6,197,789**	**-**	-
	$ 31,988,179	**$ 28,112,928**	**$ 3,875,251**	$ 4,394,810

6. FOUNDATION ASSETS

The Nova Scotia Community College Foundation (the "Foundation") is a non-profit organization controlled by the College. The assets represent donations and related interest restricted for scholarships, awards and other specified purposes. The Foundation works collaboratively with the College and the community to enhance the student experience by developing and implementing a framework to nurture support for current and future needs of the College.

The Foundation has not been consolidated in the College's financial statements. Financial statements of the Foundation are available upon request. Financial summaries as at March 31 and for the years then ended are as follows:

6. FOUNDATION ASSETS (continued)

Nova Scotia Community College Foundation

	2008	2007
Results of operations		
Total revenue	**$ 2,171,282**	$ 1,490,964
Total expenditures	**841,941**	723,918
Excess of revenue over expenditures	**$ 1,329,341**	$ 767,046
Financial position		
Total assets	**$ 3,729,127**	$ 2,440,737
Less: Total liabilities	**85,436**	117,017
Total net assets	**$ 3,643,691**	$ 2,323,720

The Foundation uses fund accounting and follows

8. DEFERRED REVENUE RELATED TO CAPITAL ASSETS

Deferred revenue related to capital assets represents the unamortized portion of funding received from the Province of Nova Scotia and other sources for capital asset additions. The deferred revenue is amortized into revenue at a rate corresponding with the amortization rate for the related capital asset. The changes in the deferred balance are as follows:

	2008	2007
Beginning balance	**$ 3,012,738**	$ 3,688,438
Contributions received	**1,231,976**	1,244,904
Amortization of deferre		

16. PENSION PLAN

The Nova Scotia Community College contributes to two defined benefit pension plans administered by the Province of Nova Scotia. The Province of Nova Scotia assumes the actuarial and investment risk associated with these plans. Accordingly, the College accounts for these pensions as defined contribution plans.

The College matches employees' contributions calculated as follows for the Nova Scotia Public Service Superannuation Plan: 7.4% (2007 - 6.4%) 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 9.6% (2007 - 8%) on the part of their salary that is excess of YMPE. Under this plan, the College has recognized contributions of $5,728,381 (2007 - $4,591,898) for the year.

The College matches employees' contributions calculated as follows for the Nova Scotia Teachers' Union Pension Plan: 8.3% (2007 - 8.3%) on the part of their salary that is equal to or less than the YMPE under the CPP and 9.9% (2007 - 9.9%) on the part of their salary that is excess of YMPE. Under this plan, the College has recognized contributions of $8,829,612 (2007 - $8,361,276) for the year.

17. EMPLOYEE FUTURE BENEFIT OBLIGATION

College Service Award

An employee hired on or after August 1, 1998 who retires because of age or mental or physical incapacity shall 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. There are no employee contributions in respect of the plan. There is no distinct fund held in respect of the CSA benefits but sufficient cash is maintained to cover the obligation. The benefits are paid from unrestricted cash.

An actuarial valuation was completed as of March 31, 2008 and the College's obligation relating to these benefits was approximately $5,344,000 (2007 - $4,535,000). The benefit expense was $1,146,254 (2007 - $1,044,236). The benefits paid were $8,425 (2007 - $29,229). The next actuarial valuation is scheduled for March 31, 2009.

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

Future salary increase	6% per annum
Expected rate of return	0% per annum
Discount rate	0% per annum
Retirement age	20% upon attainment of age 55 and 80 points (age plus service); the remainder at 35 years of C -0.0.r-2pe)3(r)]TJEMC /P5/<<MCID 24 >>BDC -0.00811

17. EMPLOYEE FUTURE BENEFIT OBLIGATION (continued)

The significant actuarial assumptions provided by the Province are as follows:

Expected rate of return	4.95% per annum
Discount rate	4.95% per annum
Retirement age	60% at earliest age eligible for unreduced pension, the remainder at earlier of age 60 with 10 years of service, 35 years of service and age 65

18. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Included in accounts payable and accrued liabilities is $13,312 (2007 – Nil) due to the Nova Scotia Community College Foundation.

19. FINANCIAL INSTRUMENTS

Fair value

The College evaluated the fair values of its financial instruments based on the current interest rate environment, related market values and current pricing of financial instruments with comparable terms. The carrying values of cash, accounts receivable, and accounts payable and accrued liabilities are considered to approximate fair values due to their short-term maturity.

Credit risk

The College performs a continuous evaluation of its accounts receivable and records an allowance for doubtful accounts as required. Management considers there is no significant credit risk as at March 31, 2008.