Consolidated Financial Statements of

NOVA SCOTIA COMMUNITY COLLEGE

March 31, 2013

Deloitte LLP
1969 Upper Water Street

NOVA SCOTIA COMMUNITY COLLEGE
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March 31, 2013

			(Restated - Note 3)
FINANCIAL ASSETS			
Cash (Note 13)	**$ 60,621,062**	$ 44,556,716	$44,780,480
Accounts receivable (Note 4)	**22,165,099**	16,686,928	15,251,338
Provincial receivable - NSTU future health benefits (Note 13)	**30,488,368**	27,232,986	24,569,220
Inventory for resale	**882,280**	965,283	1,019,478
Investments (Note 15)	**4,671,276**	4,416,583	4,223,927
	118,828,085	93,858,496	89,844,443
LIABILITIES			
Accounts payable and accrued liabilities	**$ 36,943,128**	$ 26,481,953	$27,043,810
Deferred revenue - restricted funding (Note 6)	**11,227,525**	5,296,612	5,609,653
Deferred revenue - Foundation (Note 7)	**6,763,922**	6,231,620	5,725,020
Employee future benefit obligations (Note 13)	**54,173,155**	47,606,520	41,879,364
Accrued obligation for other compensated absences (Note 14)	**1,191,224**	1,287,841	1,287,841
	110,298,954	86,904,546	81,545,688
Net financial assets	**8,529,131**	6,953,950	8,298,755
NON-FINANCIAL ASSETS			
Tangible capital assets (Note 5)	**8,478,197**	10,172,897	9,314,501
Prepaid expenses	**1,742,581**	950,810	587,074
	10,220,778	11,123,707	9,901,575
Accumulated surplus (Note 10)			

NOVA SCOTIA COMMUNITY COLLEGE
Consolidated Statements of Cash Flows
Year ended March 31, 2013

		2013		2012 (Restated - Note 3)
Operating transactions				
Annual surplus (deficit)	**$**	**672,252**	$	(122,673)
Adjustments for:				
Amortization of tangible capital assets		**3,810,187**		3,864,468
Loss on disposal of tangible capital assets		**-**		3,349
Employee future benefit obligations		**6,566,635**		5,727,156

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 established a Foundation entitled “Nova Scotia Community College Foundation” (the “Foundation”) on May 15, 2001 in the Province of Nova Scotia under the Societies Act. The purpose of the Foundation is to support the Nova Scotia Community College and related activities. Under the Public Sector Accounting Standards “PSAS” which have been adopted for fiscal years ending on or after April 1, 2012, the College and Foundation are now recognized as one entity.

The College has entered into consent agreements with the Province that allows the College to construct facilities on land owned by the Province pursuant to the infrastructure investment by the Province. Costs associated with these projects will be managed by the College and flow through a l/[,rhe P21Bsp11()6ur84(ov)11(i)-5tovand [(l/[,5n)2(d)2(9(on-2(up)bs2(e)9(ox8s2(e)(13(h)133ht(up)bs2(6l.x8s2

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

The carrying amounts of the financial assets and liabilities of the College by measurement basis are summarized as follows:

- Cash and cash equivalents are measured at fair value
- Accounts receivablllws: of

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

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. Stipulations associated with the acquisition of tangible capital assets are considered to be met as the assets are used for their intended purpose.

The Foundation recognizes donations revenue in the period in which the resources are used for the purpose or purposes specified.

Investment income is recorded on an accrual basis. Investments are recorded on a trade-date basis. Realized gains and losses on the disposal of investments are reflected in the statement of operations as incurred. Realized and unrealized gains and losses on restricted investments are reflected in deferred revenue in the Statement of Financial Position until the assets are used for their specific purpose, at which time the gains and losses are reflected in the Statement of Operations and Accumulated Surplus. Realized and unrealized gains and losses are calculated on an average cost basis. All transaction costs associated with acquisition and disposition of investments are expensed to the Statement of Operations and Accumulated Surplus 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 defined benefit plans, providing a pension on retirement based on the member's age at retirement, length of service and highest earnings averaged over five years. Inflation adjustments are contingent upon available funding. The College accounts for these plans as defined contribution plans. The contributions to the plans are recorded as an expense for the year.

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3. TRANSITION TO PUBLIC SECTOR ACCOUNTING STANDARDS (continued)

In accordance with the requirements of PS 2125, the accounting policies set out in note 2 have been consistently applied to all years presented. Adjustments resulting from the adoption of PSAS have been applied retrospectively excluding cases where optional exemptions available under PS 2125 have been applied. As described below, the College has elected to adopt the exemption available under PS 2125 relating to tangible capital asset impairment.

As part of its adoption of PSAS, the College decided to early adopt PS 3410 *Government Transfers* and PS 3450 *Financial Instruments*. As a result of its early adoption of PS 3450 *Financial Instruments*, the College was also required to early adopt PS 2601 *Foreign Currency Translation* and PS 1201 *Financial Statement Presentation*. The accounting policies in accordance with these standards have been set out in Note 2 and have been consistently applied to all years presented.
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3. TRANSITION TO PUBLIC SECTOR ACCOUNTING STANDARDS (continued)

i) Reconciliation of the April 1, 2011 Statement of Financial Position:

	Footnotes	CICA Accounting Handbook Partt ng

3. TRANSITION TO PUBLIC SECTOR ACCOUNTING STANDARDS (continued)

ii) Reconciliation of the March 31, 2012 Statement of Financial Position:

	Footnotes	CICA Accounting Handbook Part V	Adjustments	PSAS
ASSETS				
Cash	(a)	$ 28,474,035	$16,082,681	$ 44,556,716
Restricted cash	(a)	16,082,681	(16,082,681)	-
Accounts receivable		16,686,928	-	16,686,928
Inventory for resale		965,283	-	965,283
Prepaid expenses		950,810	-	950,810
Investments		4,416,583	-	4,416,583
Tangible capital assets		10,172,897	-	10,172,897
Provincial receivable - NSTU future health benefits		27,232,986	-	27,232,986
		104,982,203	-	104,982,203
LIABILITIES				
Accounts payable and accrued liabilities		$ 26,481,953	$ -	$ 26,481,953
Deferred revenue - restricted funding		5,296,612	-	5,296,612
Deferred revenue related to capital assets	(c)	4,232,197	(4,232,197)	-
Deferred revenue - Foundation				

3. TRANSITION TO PUBLIC SECTOR ACCOUNTING STANDARDS (continued)

iii) Reconciliation of the Statement of Operations and Accumulated Surplus for the year ended March 31, 2012:

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	Footnotes	CICA Accounting Handbook Part V	Adjustments	PSAS
Revenue				
Labour and Advanced Education				
- Core Grant		$ 128,732,767	**$** -	$ 128,732,767
Labour and Advanced Education				
- Other		15,213,262	-	15,213,262
Tuition and fees		29,614,398	-	-

3. TRANSITION TO PUBLIC SECTOR ACCOUNTING STANDARDS (continued)

Notes to the reconciliation of CICA Accounting Handbook – Part V to PSAS:

a) Reclassification of “restricted cash” to “cash”

PSAS require information about designated assets to be disclosed in the notes, and not on the Statement of Financial Position. Therefore, restricted cash was reclassified to “cash” on the face of the consolidated Statement of Financial Position and note disclosure was made with respect to restricted cash (See Note 13).

b) Revenue recognition – external restrictions

In accordance with PS 3100, *Restricted Assets and Revenues*, externally restricted inflows should be recognized in a government’s financial statements in the period in which the resources are used for the purpose or purposes specified. An externally restricted inflow received before this criterion has been met should be reported as a liability until the resources are used for the purpose or purposes specified. Accordingly, the net assets and revenues of the endowment fund and restricted fund were adjusted and reclassified as a liability. Unrealized and realized gains and losses on these restricted assets are also required to be recorded as deferred revenue until the assets are used for their specified purpose.

c) Removal of deferred revenue related to capital assets

The policy under CICA Accounting Handbook Part V was for the College to recognize government transfers for capital assets as deferred contributions and recognize this into income at the same rate as the asset is amortized. The College elected to early adopt PS 3410, *Government Transfers*, in the same period that it has chosen to adopt PSAS. The transitional provisions in the standard provide a choice between prospective application and retrospective restatement. The College has chosen to retrospectively restate all transfers related to capital assets since the date of transition to PSAS. The purpose of the government transfers was to purchase tangible capital assets for the College’s continuing operations and there are no other stipulations. As a result, capital related transfers were recognized in accumulated surplus on the date of transition and have been recognized as revenue for the comparative period of March 31, 2012.

d) Accrued obligation for other compensated absences

Under previous accounting, the College was not required to record an obligation for NSTU sick pay as this benefit did not vest. However, under PS 3255 *Post-Employment Benefits, Compensated Absences and Termination Benefits*, the College was required to recognize a liability and a cost for NSTU sick pay benefits in the period the employee renders service for such benefits.

3. TRANSITION TO PUBLIC SECTOR ACCOUNTING STANDARDS (continued)

e) Employee future benefit obligations

The College has elected to retrospectively restate all employee future benefit plans to recognize all cumulative actuarial gains and losses on the statement of financial position and to recognize the appropriate amortization of such gains and losses on the statement of operations.

f) Reclassification of net assets

In accordance with PS 1201, *Financial Statement Presentation*, net assets are required to be presented as the total of accumulated operating surplus. As a result, net assets were reclassified from net assets to accumulated surplus.

4. ACCOUNTS RECEIVABLE

	2013	2012
Organizations	**$ 6,808,443**	$ 4,968,458
Student fees	**1,471,042**	1,761,063
Government funding	**12,565,000**	9,100,000
Foundation	**97,373**	304,077
Harmonized sales tax	**1,881,839**	1,402,388
Allowance for doubtful accounts	**(658,598)**	(849,058)
	$ 22,165,099	$ 16,686,928

5. TANGIBLE CAPITAL ASSETS

6. DEFERRED REVENUE – RESTRICTED FUNDING

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

	2013	2012
Apprenticeship	**$ 790,695**	$ 390,089
Applied research	**209,137**	504,027
Business development	**1,191,754**	546,811
Continuing education	**83,516**	135,080
Cost recovery programs	**851,735**	1,152,225
Disability resources	**1,294,253**	1,234,772
Links programs	**110,000**	86,207
Department of Labour and Advanced Education	**5,524,335**	-
Other	**1,172,100**	1,247,401

7. DEFERRED REVENUE – FOUNDATION (continued)

The Foundation also has internally restricted funds that are subject to internally imposed stipulations specifying the purpose for which they must be used. At March 31, 2013, the Foundation was in compliance with all restrictions applicable to these funds.

8. REVENUE – LABOUR AND ADVANCED EDUCATION – CORE GRANT

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	2013	2012
Funding received	**$ 127,809,000**	$ 126,623,000
NSTU- future health benefits contribution (Note 13)	**3,668,382**	3,109,767
Portion related to tangible capital assets	**-**	(1,000,000)
	$ 131,477,382	$ 128,732,767

11. CHANGES IN NON-CASH WORKING CAPITAL

	2013	2012
Accounts receivable	**$ (5,478,171)**	$ (1,435,590)
Inventory for resale	**83,003**	54,195
Prepaid expenses	**(791,771)**	(363,736)
Accounts payable and accrued liabilities	**10,461,175**	(561,857)
Deferred revenue - restricted funding	**5,930,913**	(313,041)
Deferred revenue - Foundation	**532,302**	506,600
	$ 10,737,451	$ (2,113,429)

12. PENSION PLANS

The College contributes to two defined benefit pension plans administered by the Province of Nova Scotia. The College accounts for these pensions as defined contribution plans.

13. EMPLOYEE FUTURE BENEFIT OBLIGATIONS (continued)

College Service Award (continued)

	2013	2012

13. EMPLOYEE FUTURE BENEFIT OBLIGATIONS (continued)

Non-pension Retirement Benefits – NSGEU (continued)

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13. EMPLOYEE FUTURE BENEFIT OBLIGATIONS (continued)

Non-pension Retirement Benefits – NSTU (continued)

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		2013		2012
NSTU accrued benefit obligation	**$**	**32,138,000**	$	28,778,000
Unamortized actuarial loss		**(1,649,632)**		(1,545,014)
NSTU obligation	**$**	**30,488,368**	$	27,232,986

The total expenses related to the NSTU benefits include the following components:

		2013		2012
Current period benefit costs	**$**	**2,119,000**	$	1,754,000
Interest expense		**1,379,000**		1,242,000
Amortization of actuarial loss		**170,382**		113,767
Total expenses related to the NSTU obligation	**$**	**3,668,382**	$	3,109,767

NOVA SCOTIA COMMUNITY COLLEGE
Notes to the

15. FINANCIAL INSTRUMENTS (continued)

a) Financial risk factors (continued)

(ii) Liquidity risk

Liquidity risk is the risk that the College will not be able to meet its financial obligations as they become due. As at March 31, 2013, the College had cash of $60,621,062 (2012 - $44,556,716).

(iii) Market risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and equity prices will affect the College's surplus or loss or the value of its financial instruments. The College mitigates these risks by maintaining a diversified investment portfolio.

b) 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, restricted cash, accounts receivable and accounts payable and accrued liabilities are considered to approximate fair values due to their short-