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CONSOLIDATED FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT

To the Board of Governors of the Nova Scotia Community College

We have audited the accompanying consolidated financial statements of Nova Scotia Community College, which comprise the consolidated statement of financial position as at March 31, 2016, the consolidated statements of operations and accumulated surplus, change in net financial assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Nova Scotia Community College as at March 31, 2016, and its consolidated results of operations, its consolidated changes in net financial assets, and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Accountants
June 16, 2016
Halifax, Canada

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

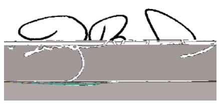
March 31, 2016, with comparative information for 2015

	2016	2015
Financial assets		
Cash (Note 15)	**$ 62,491,984**	$ 5 ,313,165
Investments (Note 15)	**8,174,905**	12,6 0,736
Accounts receivable (Note 3)	**14,831,537**	6,505,541
Provincial receivable –		
NSTU future health benefits (Note 13)	**41,972,115**	37,848,041
Inventory for resale	**838,036**	8 7,757
	128,308,577	117,255,240
Liabilities		
Accounts payable and accrued liabilities	**29,522,778**	26,233,754
Deferred revenue – restricted funding (Note 5)	**7,164,764**	5,405,227
Deferred revenue related to tangible		
capital assets (Note 6)	**887,245**	1,330,867
Deferred revenue – Foundation (Note 7)	**7,964,631**	7,657,557
Employee future benefit obligations (Note 13)	**66,369,990**	67,761,338
Accrued obligation for other compensated		
absences (Note 14)	**1,412,767**	1,418,811
	113,322,175	10 ,807,554
Net financial assets	**14,986,402**	7,447,686
Non-financial assets		
Tangible capital assets (Note 4)	**11,466,021**	12,644,8 0
Prepaid expenses	**1,588,468**	5 7,344
	13,054,489	13,242,234
Accumulated surplus (Note 10)	**$ 28,040,891**	$ 20,68 , 20

Commitments (Note 16)

See accompanying notes to the consolidated financial statements

On behalf of the Board:



CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

Year ended March 31, 2016, with comparative information for 2015

		2016	2015
Revenues			
Labour and Advanced Education – core grant (Note 8)	$ 136,744,000	**$ 141,407,275**	$ 140,852,138
Labour and Advanced Education – other	16, 24,18	**17,089,202**	18,05 ,75
Tuition and fees	32,521,840	**34,288,776**	31,7 6,57
Contract training and service contracts	5,356,188	**4,910,072**	4,817,101
Other (Note 9)	14,17 ,352	**19,832,511**	1 ,051,214
Contributions received pertaining to tangible capital assets	550,000	**443,622**	443,622
	206,275,56	**217,971,458**	215,020,413
Expenditures			
Salaries and benefits	155,274,568	**152,431,895**	155,738,105
Operating supplies and services	27,313,361	**34,168,484**	30,846,12
Equipment, rentals and other administration	8,327,8 4	**13,543,866**	11,375,383
Utilities and maintenance	10,80 ,746	**10,758,278**	11,56 ,363
Amortization of tangible capital assets	4,550,000	**4,772,713**	4,74 ,7 3
	206,275,56	**215,675,236**	214,278,773
Annual surplus before the undernoted	▴	**2,296,222**	741,640
Net revenue (expense) from Foundation operations	41, 7	**(56,552)**	2 ,1 4
Gain on benefit plan curtailment (Note 13)	▴	**5,111,301**	▴
Annual surplus	41, 7	**7,350,971**	770,834
Accumulated surplus, beginning of year	20,68 , 20	**20,689,920**	1 , 1 ,086
Accumulated surplus, end of year	$ 20,731, 17	**$ 28,040,891**	$ 20,68 , 20

See accompanying notes to the consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS

Year ended March 31, 2016, with comparative information for 2015

		2016	2015
Annual surplus	$ 41, 7	**$ 7,350,971**	$ 770,834
Change in tangible capital assets			
Acquisition of tangible capital assets	(2,000,000)	**(3,598,153)**	(3,878,020)
Amortization of tangible capital assets	4,550,000	**4,772,713**	4,74 ,7 3
Loss on disposal of tangible capital assets	–	**4,309**	–
	2,550,000	**1,178,869**	871,773
Net change in prepaid expenses	–	**(991,124)**	44 , 1
Increase in net financial assets	2,5 1, 7	**7,538,716**	2,0 2,526
Net financial assets, beginning of year	7,447,686	**7,447,686**	5,355,160
Net financial assets, end of year	$ 10,03 ,683	**$ 14,986,402**	$ 7,447,686

See accompanying notes to the consolidated financial 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.

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.

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 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 Operations and Accumulated Surplus. Ownership of the construction projects related to the consent agreements remain with the Province and do not transfer to the College.

The College and the Foundation are government not-for-profit organizations and, as such, are exempt from income taxes under the Income Tax Act (Canada).

2. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements are prepared in accordance with Canadian Public Sector Accounting Standards ("PSAS") of the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada ("CPA").

Basis of prep [illegible]

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

Financial assets and liabilities

Financial assets and liabilities are measured at fair value on initial recognition. The carrying amounts subsequent to initial recognition of the financial assets and liabilities of the College by measurement basis are summarized as follows:

- Cash and investments are measured at fair value
- Accounts receivable and Provincial receivable – NSTU future health benefits are measured at amortized cost
- Accounts payable and accrued liabilities are measured at amortized cost

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

The Foundation recognizes unrestricted donations and gifts as revenue when received or receivable if the amounts to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted and endowment contributions are recognized as revenue in the year the related expenses are recognized.

Investment income

Investment income is recorded on an accrual basis. Restricted investment income is recognized as revenue in the year in which related expenses are recognized. Unrestricted investment revenue is recognized as 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 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 required during the year are recorded as an expense.

Employee future benefit 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 Service Award 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 benefits for all retirees or surviving spouses of retirees. The program is funded each year by the payment of the required premiums.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

The College accrues its benefit liabilities under the above noted plans as the employees render the services necessary to earn the future benefits. The cost of post-retirement benefits 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.

Accrued obligation for s[illegible]

[illegible]

4. TANGIBLE CAPITAL ASSETS

	2016			2015
	Cos	**Acc m la ed Amor i a ion**	**Ne Book Val e**	[illegible]
Land	**$ 1,232,981**	**$**	**$ 1,232,981**	$ 1,232, 81
Buildings	**348,609**	**49,825**	**298,784**	307, 08
Computer equipment	**7,611,690**	**7,097,147**	**514,543**	42 ,7 2
Furniture and equipment	**38,057,666**	**31,914,048**	**6,143,618**	7,324, 86
Leasehold improvements	**7,823,054**	**4,546,959**	**3,276,095**	3,34 ,223
	$ 55,074,000	**$ 43,607,979**	**$ 11,466,021**	$ 12,644,8 0

5. DEFERRED REVENUE – RESTRICTED FUNDING

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

	2016	2015
Apprenticeship	**$ 1,004,068**	$ 7 5,662
Applied research	**674,298**	6 5,206
Business development	**390,272**	288,87
Continuing education	**24,235**	23,845
Cost recovery programs	**765,262**	7 7,865
Disability resources	**791,576**	708,201
Other	**3,515,053**	2,0 5,56
	$ 7,164,764	$ 5,405,227

6. DEFERRED REVENUE RELATED TO TANGIBLE CAPITAL ASSETS

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

	2016	2015
Deferred revenue – beginning balance	**$ 1,330,867**	$ 1,774,48
Recognition of deferred contributions related to tangible capital assets	**(443,622)**	(443,622)
	$ 887,245	$ 1,330,867

7. 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.

Balance, March 31, 2014	$ 2,845,022	$ 4,200,82	$ 7,045,851
Contributions	358,847	35 ,072	717, 1
Investment income	12,114	17 ,228	1 1,342
Unrealized (loss) on investments		(171,700)	(171,700)
Gain (loss) on sale of investments	(31)	448,288	448,257
Revenue recognized	(333,563)	(240,54)	(574,112)
Balance, March 31, 2015	$ 2,882,38	$ 4,775,168	$ 7,657,557
Contributions	**479,807**	**1,283,939**	**1,763,746**
Investment income	**76,061**	**155,110**	**231,171**
Unrealized loss on investments	**(396,766)**	**(674,343)**	**(1,071,109)**
Gain on sale of investments	**155,887**	**322,511**	**478,398**
Revenue recognized	**(668,733)**	**(426,399)**	**(1,095,132)**
Balance, March 31, 2016	**$ 2,528,645**	**$ 5,435,986**	**$ 7,964,631**

10. ACCUMULATED SURPLUS

Certain funds have been internally restricted by the Board and the Foundation to ensure that the funds are used solely for College and Foundation development projects. The Foundation has internally materialized funds for campus-based student emergency funding, scholarships, bursaries and awards in the amount of $139,290 (2015 – $234,245). The Board of the College has also restricted $4,722,923 (2015 – $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 and Foundation are in compliance with all restrictions applicable to these funds.

	2016	2015
Accumulated surplus – p [illegible]		

12. PENSION PLANS

The College contributes to two defined benefit 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 defined contribution plans.

In the first 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% (2015 – 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% (2015 – 10.9%) on the part of their salary that is in excess of YMPE. Under this plan, the College has recognized contributions of $8,597,645 (2015 – $8,596,265) for the year.

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: 10.3% (2015 – 9.3%) on the part of their salary that is equal to or less than the YMPE under the CPP and 11.9% (2015 – 10.9%) on the part of their salary that is in excess of YMPE. Under this plan, the College has recognized contributions of $14,201,627 (2015 – $12,803,301) for the year.

13. EMPLOYEE FUTURE BENEFIT OBLIGATIONS

The College employees are entitled to a number of benefits as follows:

	2016	2015
College service award	**$ 7,864,162**	$ 12,832,301
Non-pension retirement benefits – NSGEU and non-union employees	**16,533,713**	17,080, 6
Non-pension retirement benefits – NSTU	**41,972,115**	37,848,041
	$ 66,369,990	$ 67,761,338

13. EMPLOYEE FUTURE BENEFIT OBLIGATIONS (continued)

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. 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, with benefits paid from unrestricted cash. The benefits paid during the year were $290,889 (2015 – $210,015). An actuarial valuation was completed as of March 31, 2016 and the College's obligation relating to these benefits includes:

	2016	2015
College service award accrued benefit obligation	**$ 7,603,000**	$ 7,721,000
Unamortized actuarial gain	**261,162**	5,111,301
Benefit obligation – College service award	**$ 7,864,162**	$ 12,832,301

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

	2016	2015
Current period benefit costs	**$ 277,000**	$ 1,164,000
Interest expense	**157,051**	167, 20
Amortization of actuarial gains		(463,861)
Gain on plan curtailment	**(5,111,301)**	-
Total expense related to the obligation	**$ (4,677,250)**	$ 868,05

13. EMPLOYEE FUTURE BENEFIT OBLIGATIONS (continued)

College Service Award (continued)

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

Future salary increase	3% per annum (2015 – 3% per annum)
Discount rate	2% per annum (2015 – 2% 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
Expected Average Remaining Service Life (EARSL)	10 years (2015 – 11 years)

Effective April 1, 2015 the College Service Award 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 government directive resulted in the curtailment of the CSA.

Non-pension Retirement Benefits – NSGEU and non-union employees

In fiscal 2007/2008, the Province required the College to assume the future liability for non-pension retirement benefits 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 benefits. These accounts have sufficient 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 benefits paid during the year were $199,189 (2015 – $216,296). An actuarial valuation was completed as of March 31, 2016 and the College's obligation relating to these benefits includes:

	2016	2015
NSGEU and non-union employees accrued benefit obligation	**$ 14,522,407**	$ 16, 83,812
Unamortized actuarial gain	**2,011,306**	7,184
Benefit obligation – NSGEU and non-union employees	**$ 16,533,713**	$ 17,080, 6

13. EMPLOYEE FUTURE BENEFIT OBLIGATIONS (continued)

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

The total expense related to the NSGEU benefit include the following components:

	2016	2015
Current period benefit costs	**$ 1,264,982**	$ 1,665,282
Interest expense	**241,010**	382,472
Amortization of actuarial (gain) loss	**(182,469)**	502,377
Total expense related to the NSGEU and non-union employees	**$ 1,323,523**	$ 2,550,131

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

Discount rate	2% per annum (2015 – 2% 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	10 years (2015 – 11 years)

Non-pension Retirement Benefits – NSTU

In 2007/2008, the Province transferred the future liability for the non-pension retirement benefits 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 financial position of the College as a result of the transfers. The benefits paid during the year were $539,200 (2015 – $421,000).

13. EMPLOYEE FUTURE BENEFIT OBLIGATIONS (continued)

Non-pension Retirement Benefits – NSTU (continued)

An actuarial valuation was completed as of March 31, 2016 and the College's obligation relating to these benefits includes:

	2016	2015
NSTU accrued benefit obligation	**$ 49,002,798**	$ 42,703,020
Unamortized actuarial loss	**(7,030,683)**	(4,854, 7)
Benefit obligation – NSTU	**$ 41,972,115**	$ 37,848,041

The total expense related to the NSTU benefit include the following components:

	2016	2015
Current period benefit costs	**$ 2,438,800**	$ 2,326,000
Interest expense	**1,739,078**	1,617,020
Amortization of actuarial loss	**485,395**	541,118
Total expense related to the NSTU obligation	**$ 4,663,273**	$ 4,484,138

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

Discount rate	3.71% per annum (2015 – 4.1% per annum)
Retirement age	Fiscal 2014/15 disclosures: • 50% at earliest age eligible for an unreduced pension, remainder at earlier of age 60 with 10 years of credited service, 35 years of credited service, and age 65. Fiscal 2015/16 disclosures: • 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	12 years (2015 – 12 years)

14. ACCRUED OBLIGATION FOR OTHER COMPENSATED ABSENCES

15. FINANCIAL INSTRUMENTS

a) Financial risk factors

The College has exposure to credit risk, liquidity risk, and market risk. The College's Board of Directors has ov[illegible] risk. T[illegible]MMUNITY COLL[illegible] Cer p[illegible] ris[illegible]MMUn[illegible] w[illegible] B[illegible]egs T[illegible]t , [illegible] COLLE[illegible] Board of[illegible]

15. FINANCIAL INSTRUMENTS (CONTINUED)

As at March 31, 2016, approximately 34% of the portfolio is directly exposed to foreign currency fluctuations of which approximately 70% would be attributable to US dollar and Canadian dollar (CAD) translation risk. The remainder of the foreign exchange exposure portfolio is comprised largely of British Pound, Euro, Yen, Australian Dollar and Swiss Franc to CAD translation risk. If the CAD dollar were to fluctuate in value against the foregoing basket of foreign currencies by 10%, and the underlying foreign equity values remained unchanged in local currencies, then the portfolio could experience a $280,000 decline in value which is a 3.4% market value imp ch i5markimpofm27gaore a

15. FINANCIAL INSTRUMENTS (CONTINUED)

The following table presents the financial instruments recorded at fair value in the Consolidated Statement of Financial Position, classified using the fair value hierarchy described above:

	March 31, 2016		31, 2015	
	Fair Val e	**Cos**	T	
Level 2				
Cash	**$ 62,491,984**	**$ 62,491,984**	$ 5 ,313,165	$ 5 ,313,165
Investments – College			5,047, 63	5,047, 63
Investments – Endowment Fund	**8,174,905**	**8,871,847**	7,642,773	7,268,606
	$ 70,666,889	**$ 71,363,831**	$ 72,003, 01	$ 71,62 ,734

There has been no significant transfer of financial instruments betwesigN[illegible] facebook.com/novascotiacommunitycollege

instagram.com/novascotiacommunitycollege