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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, 2017, 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 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.

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.

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, 2017, 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 Professional Accountants,
Licensed Public Accountants
June 22, 2017
Halifax, Canada

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	2017	2016
Financial assets		
Cash (Note 15)	**$ 51,658,976**	$ 62,491,984
Investments (Note 15)	**30,640,247**	8,174,905
Accounts receivable (Note 3)	**15,853,139**	

CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS

Year ended March 31, 2017, with comparative information for 2016

	Budget	2017	2016
Annual surplus	$ 94,500	**$ 283,100**	$ 7,350,971
Change in tangible capital assets			
Acquisition of tangible capital assets	(2,000,000)	**(3,404,170)**	(3,598,153)
Amortization of tangible capital assets	4,550,000	**4,535,646**	4,772,713
Loss on disposal of tangible capital assets	–	**2,439**	4,309
	2,550,000	**1,133,915**	1,178,869
Net change in prepaid expenses	–	**867,759**	(991,124)
Increase in net financial assets	2,644,500	**2,284,774**	7,538,716
Net financial assets, beginning of year	14,986,402	**14,986,402**	7,447,686
Net financial assets, end of year	$ 17,630,902	**$ 17,271,176**	$ 14,986,402

See accompanying notes to the consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

	2017	2016
Operating transactions		
Annual surplus	**$ 283,100**	$ 7,350,971
Adjustments for:		
Amortization of tangible capital assets	**4,535,646**	4,772,713
Amortization of deferred revenue related to tangible capital assets	**(443,622)**	(443,622)
Loss on disposal of tangible capital assets	**2,439**	4,309
Employee future benefit obligations	**5,778,480**	(1,391,348)
Provincial receivable – NSTU future health benefits	**(4,805,485)**	(4,124,074)
Accrued obligation for other compensated absences	**41,359**	(6,044)
Gain on sale of investments	**(319,740)**	(478,945)
Gain from fund distributions	**(33,486)**	–
Unrealized (gain) loss on investments	**(727,953)**	1,071,109
Changes in non-cash working capital (Note 11)	**9,644,587**	(3,901,764)
	13,955,325	2,853,305
Capital transactions		
Purchase of tangible capital assets	**(3,404,170)**	(3,598,153)
	(3,404,170)	(3,598,153)
Investing transactions		
[illegible]	[illegible]	[illegible]

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

[illegible]

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

Unrestricted unrealized changes in fair value are recognized in the Statement of Remeasurement Gains and Losses until they are realized, when they are transferred to the Statement of Operations and Accumulated Surplus.

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the Statement of Operations and Accumulated Surplus and any unrealized gain is adjusted through the Statement of Remeasurement Gains and Losses.

The College does not have unrealized gains or losses related to unrestricted investments nor unrealized foreign exchange gains or losses and therefore has not presented a Statement of Remeasurement Gains and Losses.

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Tangible capital assets are recorded at cost and 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 10 years
Buildings	20 years

Land and buildings used in the delivery of the College services that are owned by the Province are not reflected in the [illegible]

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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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.

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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.

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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.

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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.

NSTU Employees of the College are entitled to sick-pay benefits which accumulate but do not vest. In accordance with PSAS for post-employment benefits and compensated absences, the College recognizes the liability for accumulative sick-pay benefits in the period in which the employee renders service.

The preparation of financial 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 financial statements and the reported amounts of revenue and expenses during the reporting period. Significant areas requiring the use of management estimates include the allowance for doubtful accounts, amortization periods for tangible capital assets and deferred revenue, employee future benefits, and certain accrued liabilities. Actual results could differ from those estimates.

3. ACCOUNTS RECEIVABLE

	2017	2016
Organizations	**$ 6,287,063**	$ 3,788,339
Student fees	**1,231,982**	1,194,231
Government funding	**7,797,043**	8,785,718
Harmonized sales tax	**1,330,725**	1,663,915
Allowance for doubtful accounts	**(793,674)**	(600,666)
	$ 15,853,139	$ 14,831,537

4. TANGIBLE CAPITAL ASSETS

	2017			2016	
	Cost	**Accumulated Amortization**	**Net Book Value**	Net Book Value	
Land	**$ 1,244,123**	**$ –**	**$ 1,244,123**	$ 1,232,981	
Buildings	**382,804**	**69,412**	**313,392**	298	**1,232,765 (0)26**

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:

	2017	2016
Deferred revenue – beginning balance	**$ 887,245**	$ 1,330,867
Recognition of deferred contributions related to tangible capital assets	**(443,622)**	(443,622)
	$ 443,623	$ 887,245

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.

	Restricted Fund	Endowment Fund	Total
Balance, March 31, 2015	$ 2,882,389	$ 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
Contributions	**846,643**	**1,334,362**	**2,181,005**
Investment income	**42,494**	**150,376**	**192,870**
Unrealized gain on investments	**170,744**	**557,209**	**727,953**
Gain on sale of investments	**85,742**	**268,113**	**353,855**
Revenue recognized	**(742,747)**	**(355,447)**	**(1,098,194)**
Balance, March 31, 2017	**$ 2,931,521**	**$ 7,390,599**	**$ 10,322,120**

7. DEFERRED REVENUE – FOUNDATION (continued)

As a result of external restrictions and endowments the College has restricted the following

10. ACCUMULATED SURPLUS

Certain funds have been internally restricted by the Board and the Foundation to ensure that

13. EMPLOYEE FUTURE BENEFIT OBLIGATIONS (continued)

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An employee hired on or after August 1, 1998 who retires because of age or mental or physical

13. EMPLOYEE FUTURE BENEFIT OBLIGATIONS (continued)

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

Future salary increase	3% per annum (2016 – 3% per annum)
Discount rate	2% per annum (2016 – 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)	9 years (2016 – 10 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 in 2016.

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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 $214,291 (2016 – $199,189). An actuarial valuation was completed as of March 31, 2017 and the College's obligation relating to these benefits includes:

	2017	2016
NSGEU and non-union employees accrued benefit obligation	**$ 15,467,237**	$ 14,522,407
Unamortized actuarial gain	**2,429,309**	2,011,306
Benefit obligation – NSGEU and non-union employees	**$ 17,896,546**	$ 16,533,713

13. EMPLOYEE FUTURE BENEFIT OBLIGATIONS (continued)

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13. EMPLOYEE FUTURE BENEFIT OBLIGATIONS (continued)

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An actuarial valuation was completed as of March 31, 2017 and the College's obligation relating to these benefits includes:

	2017	2016
NSTU accrued benefit obligation	**$ 49,252,000**	

14. ACCRUED OBLIGATION FOR OTHER COMPENSATED ABSENCES

NSTU College employees receive sick leave that accumulates at varying amounts per month based on services rendered by employees. Unused hours can be carried forward for future paid leave and employees can accumulate up to a maximum number of hours. An actuarial estimate for this future liability has been completed and forms the basis for the estimated liability reported in these

15. FINANCIAL INSTRUMENTS

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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:

15. FINANCIAL INSTRUMENTS (CONTINUED)

As at March 31, 2017, approximately 30% of the portfolio is directly exposed to foreign currency fluctuations of which approximately 16% would be attributable to US dollar and Canadian dollar (CAD) translation risk. The foreign exchange exposure is highest for the US 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 $300,000 change in value which is a 3% market value impact to the overall portfolio.

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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, investments – College and accounts payable and accrued liabilities are considered to approximate fair values due to their short-term maturity. The carrying value of the Provincial receivable – NSTU Future Health Benefits approximates fair value based on the actuarial valuation performed on non-pension retirement benefits – NSTU (Note 13). Investments – Restricted Fund and Endowment Fund are investments in pooled funds. Their fair value is approximated by their respective fund's net asset value which is determined based on the fair value of the assets held by the fund less any liabilities.

Financial instruments recorded at fair value are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included with Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the assets or liability that are not based on observable market data (unobservable inputs).

15. FINANCIAL INSTRUMENTS (CONTINUED)