

Financial Statements of

NOVA SCOTIA COMMUNITY COLLEGE

March 31, 2009

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, 2009 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.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the College as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants
Halifax, Nova Scotia
May 29, 2009

NOVA SCOTIA COMMUNITY COLLEGE

Table of Contents

March 31, 2009

	<u>Page</u>
Statement of Financial Position	1
Statement of Revenue and Expenditures	2
Statement of Cash Flows	3
Statement of Changes in Net Assets	4
Notes to the Financial Statements	5-13

NOVA SCOTIA COMMUNITY COLLEGE

Statement of Financial Position

March 31, 2009

	2009	2008
ASSETS		
Current		
Cash	\$ 31,647,231	\$ 33,334,468
Accounts receivable (Note 4)	21,762,711	14,111,746
Inventory	914,415	872,722
Prepays	1,653,902	509,529
	55,978,259	48,828,465
Capital assets (Note 5)	5,685,446	3,875,251
Foundation assets (Note 6)	4,201,588	3,643,691
Provincial Receivable - Future Health Benefits (Note 16)	20,328,071	18,357,805
	\$ 86,193,364	\$ 74,705,212
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 25,360,212	\$ 22,419,482
Deferred revenue (Note 7)	8,763,497	6,750,071
	34,123,709	29,169,553
Deferred revenue related to capital assets (Note 8)	2,420,713	2,484,307
Employee future benefit obligation (Note 16)	35,014,203	29,270,438
	71,558,625	60,924,298
Commitments (Note 14)		
NET ASSETS		
Invested in capital assets (Note 9)	3,264,733	1,390,944
Unrestricted	2,445,495	4,023,356
Restricted for Foundation purposes (Note 6)	4,201,588	3,643,691
Restricted for College development (Note 13)	4,722,923	4,722,923
	14,634,739	13,780,914
	\$ 86,193,364	\$ 74,705,212

ON BEHALF OF THE BOARD

..... Director

..... Director

NOVA SCOTIA COMMUNITY COLLEGE

Statement of Revenue and Expenditures

Year ended March 31, 2009

	2009	2008
Revenue		
Province of Nova Scotia (Note 10)	\$ 118,541,266	\$ 108,336,123
Government of Canada	9,100,000	9,053,747
Tuition and fees	20,968,369	19,536,418
Customized training	13,404,196	13,196,375
Amortization of deferred revenue related to capital assets	1,772,863	1,760,407
Other (Note 11)	21,654,425	19,625,517
	<u>\$ 185,441,119</u>	<u>\$ 171,508,587</u>
Expenditures		
Salaries and benefits	125,939,841	116,023,582
Operating supplies and services	28,323,722	28,871,808
Equipment, rentals and other administration	14,954,491	13,515,970
Utilities and maintenance	13,227,019	10,502,634
Amortization	2,700,118	2,240,958
	<u>185,145,191</u>	<u>171,154,952</u>
Excess of revenue over expenditures	<u>\$ 295,928</u>	<u>\$ 353,635</u>

NOVA SCOTIA COMMUNITY COLLEGE

Statement of Cash Flows

Year ended March 31, 2009

	<u>2009</u>	<u>2008</u>
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES		
Operating		
Excess of revenue over expenditures	\$ 295,928	\$ 353,635
Items not affect cash:		
Amortization of deferred revenue related to capital assets	(1,772,863)	(1,760,407)
Amortization	2,700,118	2,240,958
Employee future benefit obligation	5,743,765	4,305,890
Long-term receivable - Province of Nova Scotia	(1,970,266)	(1,639,805)
Changes in non-cash working capital items (Note 12)	(3,882,875)	1,093,904
	<u>1,113,807</u>	<u>4,594,175</u>
Investing		
Purchase of capital assets	(4,510,313)	(1,721,399)
Financing		
Pensionable advance	-	555,557
Contributions related to capital assets	1,709,269	1,231,976
	<u>1,709,269</u>	<u>1,787,533</u>
NET CASH (OUTFLOW) INFLOW	(1,687,237)	4,660,309
CASH POSITION, BEGINNING OF YEAR	33,334,468	28,674,159
CASH POSITION, END OF YEAR	\$ 31,647,231	\$ 33,334,468

NOVA SCOTIA COMMUNITY COLLEGE

Statement of Changes in Net Assets

Year ended March 31, 2009

	Invested in Capital Assets (Note 9)	Unrestricted	Restricted for Foundation Purposes (Note 6)	Restricted for College Development (Note 13)	2009 Total	2008 Total
Balance, beginning of year	\$ 1,390,944	\$ 4,023,356	\$ 3,643,691	\$ 4,722,923	\$ 13,780,914	\$ 12,107,308
Adoption of financial instruments accounting policy	-	-	-	-	-	(9,370)
Excess (deficiency) of revenue over expenditures	(927,255)	1,223,183	-	-	295,928	353,635
Investment in capital assets	2,801,044	(2,801,044)	-	-	-	-
Endowment contributions and interest	-	-	1,687,601	-	1,687,601	2,171,282
Endowment disbursements	-	-	(1,129,704)	-	(1,129,704)	(841,941)
Balance, end of year	\$ 3,264,733	\$ 2,445,495	\$ 4,201,588	\$ 4,722,923	\$ 14,634,739	\$ 13,780,914

NOVA SCOTIA COMMUNITY COLLEGE

Notes to the Financial Statements

March 31, 2009

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 Dartmouth Waterfront 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

The CICA has decided that not-for-profit organizations will not be required to apply Sections 3862, Financial Instruments – Disclosure, and 3863, Financial Instruments – Presentation, of the CICA Handbook which would otherwise have applied to the financial statements of the College for the year ended March 31, 2009. The College has elected to use this exemption and applies the requirements of Section 3861, Financial Instruments – Disclosure and Presentation.

On April 1, 2008, the College adopted the following recommendations of the Canadian Institute of Chartered Accountants (“CICA”) Handbook:

Section 1535, Capital Disclosures, requires the disclosure of information about an entity’s objectives, policies and processes for managing capital. The College has included this disclosure in Notes 18.

Section 3031, Inventories: This section provides more guidance on the measurement and disclosure requirements for inventories. This new section had no impact of the College’s financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements were prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

Cash

Cash consists of cash on hand and amounts held by financial institutions, upon which interest is paid at commercial rates.

Financial instruments

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. Their classification depends on the purpose, for which the financial instruments were acquired or issued, their characteristics and the College’s designation of such instruments. Settlement date accounting is used.

NOVA SCOTIA COMMUNITY COLLEGE

Notes to the Financial Statements

March 31, 2009

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets and liabilities	Classification	Measurement
Cash	Held for trading	Fair value
Provincial receivable - Future Health Benefits	Loans and receivables	Amortized cost
Accounts receivable	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other liabilities	Amortized cost

Capital assets

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 10 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 weighted average 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.

Employee 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.

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, employee future benefits, and certain accrued liabilities. Actual results may differ from those estimates.

NOVA SCOTIA COMMUNITY COLLEGE

Notes to the Financial Statements

March 31, 2009

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 fair value.

4. ACCOUNTS RECEIVABLE

	<u>2009</u>	<u>2008</u>
Organizations	\$ 2,982,508	\$ 3,596,688
Student fees	389,572	1,019,538
Government funding	12,616,876	5,789,315
Development Project	4,136,854	2,509,333
Other	581,987	780,724
Harmonized Sales Tax	1,489,278	1,057,797
Allowance for doubtful accounts	(434,364)	(641,649)
	<u>\$ 21,762,711</u>	<u>\$ 14,111,746</u>

Included in accounts receivable is \$34,808 (2008 - \$70,453) due from the Nova Scotia Community College Foundation (the "Foundation").

5. CAPITAL ASSETS

	<u>2009</u>			<u>2008</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Computer equipment	\$ 8,830,387	\$ 8,131,103	\$ 699,284	\$ 532,911
Furniture and equipment	16,615,816	13,468,835	3,146,981	2,970,563
Leasehold improvements	9,761,353	7,922,172	1,839,181	371,777
Management information systems	6,197,789	6,197,789	-	-
	<u>\$ 41,405,345</u>	<u>\$ 35,719,899</u>	<u>\$ 5,685,446</u>	<u>\$ 3,875,251</u>

6. FOUNDATION ASSETS

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.

NOVA SCOTIA COMMUNITY COLLEGE

Notes to the Financial Statements

March 31, 2009

6. FOUNDATION ASSETS (continued)

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:

Nova Scotia Community College Foundation

	<u>2009</u>	<u>2008</u>
Results of operations		
Total revenue	\$ 1,687,601	\$ 2,171,282
Total expenditures	1,129,704	841,941
Excess of revenue over expenditures	\$ 557,897	\$ 1,329,341
Financial position		
Total assets	\$ 4,289,652	\$ 3,729,127
Less: Total liabilities	88,064	85,436
Total net assets	\$ 4,201,588	\$ 3,643,691

The Foundation uses fund accounting and follows the restricted fund method of accounting for contributions.

7. DEFERRED REVENUE

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

	<u>2009</u>	<u>2008</u>
Apprenticeship	\$ 1,100,000	\$ 661,041
Offshore operation	-	40,549
Skills development	1,345,182	214,698
Applied research	551,575	585,200
Customized training	1,865,140	2,415,774
Disability resources	875,472	861,513
Links programs	439,855	530,000
Other	2,586,273	1,441,296
	\$ 8,763,497	\$ 6,750,071

NOVA SCOTIA COMMUNITY COLLEGE

Notes to the Financial Statements

March 31, 2009

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:

	<u>2009</u>	<u>2008</u>
Beginning balance	\$ 2,484,307	\$ 3,012,738
Contributions received	1,709,269	1,231,976
Amortization of deferred revenue related to capital assets	(1,772,863)	(1,760,407)
Ending balance	<u>\$ 2,420,713</u>	<u>\$ 2,484,307</u>

9. NET ASSETS INVESTED IN CAPITAL ASSETS

Capital assets, net of accumulated amortization	\$ 5,685,446	\$ 3,875,251
Deferred revenue related to capital assets	(2,420,713)	(2,484,307)
	<u>\$ 3,264,733</u>	<u>\$ 1,390,944</u>

10. REVENUE – PROVINCE OF NOVA SCOTIA

	<u>2009</u>	<u>2008</u>
Funding received	\$ 119,541,266	\$ 109,336,123
Portion related to capital assets	(1,000,000)	(1,000,000)
	<u>\$ 118,541,266</u>	<u>\$ 108,336,123</u>

11. OTHER REVENUE

	<u>2009</u>	<u>2008</u>
Other revenue is summarized as follows:		
Bookstore revenue	\$ 4,599,145	\$ 4,192,738
Food sales	1,945,454	1,796,318
Apprenticeship/Shop	3,392,679	3,445,199
Interest	863,347	1,489,195
Recoveries	4,443,530	2,868,559
Applied research	1,151,107	1,217,899
Lodging, rent and miscellaneous	5,259,163	4,615,609
	<u>\$ 21,654,425</u>	<u>\$ 19,625,517</u>

NOVA SCOTIA COMMUNITY COLLEGE

Notes to the Financial Statements

March 31, 2009

12. CHANGES IN NON-CASH WORKING CAPITAL

	<u>2009</u>	<u>2008</u>
Accounts receivable	\$ (7,650,965)	\$ 5,421,187
Inventory	(41,693)	(120,678)
Prepays	(1,144,373)	(255,433)
Accounts payable and accrued liabilities	2,940,730	(4,940,466)
Deferred revenue	2,013,426	989,294
	<u>\$ (3,882,875)</u>	<u>\$ 1,093,904</u>

13. RESTRICTED FOR COLLEGE DEVELOPMENT

These funds have been internally restricted by the Board to ensure that the funds are used solely for College development projects.

14. COMMITMENTS

The College is committed to the following lease and maintenance agreement payments over the next five years.

2010	\$ 1,010,770
2011	806,899
2012	780,555
2013	489,416
2014	398,303
	<u>\$ 3,485,943</u>

15. PENSION PLANS

The Nova Scotia Community 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.

In the first plan, the Nova Scotia Public Service Superannuation Plan, the Province of Nova Scotia assumes the actuarial and investment risk. For this plan, the College matches employees' contributions calculated as follows: 7.4% (2008 - 7.4%) 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% (2008 - 9.6%) on the part of their salary that is in excess of YMPE. Under this plan, the College has recognized contributions of \$6,388,634 (2008 - \$5,728,381) 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 assumes the actuarial and investment risk. For this plan, the College matches employees' contributions calculated as follows: 8.3% (2008 - 8.3%) on the part of their salary that is equal to or less than the YMPE under the CPP and 9.9% (2008 - 9.9%) on the part of their salary that is in excess of YMPE. Under this plan, the College has recognized contributions of \$9,560,242 (2008 - \$8,829,612) for the year.

NOVA SCOTIA COMMUNITY COLLEGE

Notes to the Financial Statements

March 31, 2009

16. 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, 2009 and the College's obligation relating to these benefits was approximately \$6,248,000 (2008 - \$5,344,000). The benefit expense was \$1,269,056 (2008 - \$1,146,254). The benefits paid were \$39,823 (2008 - \$8,425). The next actuarial valuation is scheduled for March 31, 2010.

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

Future salary increase	6% 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 service or age 60, whichever is earlier

Non-pension Retirement Benefits - NSGEU

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.

In 2008/2009, the College decided to create a separate fund that would be held in respect of the non-pension retirement benefits. This fund has sufficient cash to cover the obligations associated with this liability.

An actuarial valuation was completed as of March 31, 2009 and the College's obligation relating to these benefits was \$8,438,132 (2008 - \$5,568,633). The benefit expense was \$723,155 (2008 - \$547,828). The benefits paid were \$103,043 (2008 - \$97,022). The next actuarial valuation is scheduled for March 31, 2010.

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

Expected rate of return	0.80% per annum
Discount rate	2.00% per annum
Retirement age	20% upon attainment of age 55 and 80 points (age plus service); the remainder at 35 years of service or age 60, whichever is earlier

NOVA SCOTIA COMMUNITY COLLEGE

Notes to the Financial Statements

March 31, 2009

16. EMPLOYEE FUTURE BENEFIT OBLIGATION (continued)

Non-pension Retirement Benefits - NSTU

In 2007/2008, the Province decided to transfer to the College the future liability for the non-pension retirement benefits for the College's teaching and professional support staff. The Province also transferred a corresponding receivable that directly offsets the liability.

There is no impact on the excess of revenue over expenditures or net financial position of the College as a result of the transfers.

An actuarial valuation was completed as of March 31, 2009 and the College's obligation relating to these benefits was \$20,328,071 (2008 – \$18,357,805). The benefit expense was \$1,192,000 (2008 - \$1,136,000). The benefits paid were \$251,000 (2008 - \$262,000). The next actuarial valuation is scheduled for March 31, 2010.

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

17. 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, Provincial Receivable – Future Health Benefits and accounts payable and accrued liabilities are considered to approximate fair values due to their short-term maturity.

Credit risk

Credit risk arises with the uncertainties of predicting the financial difficulties students and corporations may experience which could cause them to be unable to fulfill their commitments to the College. The College mitigates this risk by having a diversified mix of students and corporations thereby limiting the exposure to a single individual or corporation. The College's credit risk is limited to the recorded amount of accounts receivable. The College performs a continuous evaluation of its accounts receivable balance and records an allowance for doubtful accounts as required. The amount of accounts receivable disclosed on the balance sheet is net of allowances for bad debts, estimated by management based on prior experience and their assessment of the current economic environment. Management considers there is no significant credit risk as at March 31, 2009.

NOVA SCOTIA COMMUNITY COLLEGE

Notes to the Financial Statements

March 31, 2009

18. CAPITAL MANAGEMENT

The College's objectives when managing capital are to maintain a capital structure that provides financial flexibility in order to preserve its ability to meet financial obligations. In managing its capital structure, the College monitors performance throughout the year to ensure working capital requirements and capital expenditures are funded from operations. The College will make adjustments to its capital structure to meet the objectives of the broader strategy or in response to changes in economic conditions and risk.