Consolidated Financial Statements of

NOVA SCOTIA COMMUNITY COLLEGE

March 31, 2016

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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.

KPMG LLP

Chartered Accountants
June 16, 2016
Halifax, Canada

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NOVA SCOTIA COMMUNITY COLLEGE
Consolidated Statement of Financial Position
March 31, 2016, with comparative information for 2015

		2016		2015
Financial assets				
Cash (Note 15)	**$**	**62,491,984**	$	59,313,165
Investments (Note 15)		**8,174,905**		12,690,736
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**		897,757
		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		109,807,554
Net financial assets		**14,986,402**		7,447,686
Non-financial assets				
Tangible capital assets (Note 4)		**11,466,021**		12,644,890
Prepaid expenses		**1,588,468**		597,344
		13,054,489		13,242,234
Accumulated surplus (Note 10)	**$**	**28,040,891**	$	20,689,920

Commitments (Note 16)
See accompanying notes to the consolidated financial statements

On behalf of the Board:

Chair

President

NOVA SCOTIA COMMUNITY COLLEGE
Consolidated Statement of Operations and Accumulated Surplus
Year ended March 31, 2016, with comparative information for 2015

	Budget	**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	16,924,189	**17,089,202**	18,059,759
Tuition and fees	32,521,840	**34,288,776**	31,796,579
Contract training and service contracts	5,356,188	**4,910,072**	4,817,101
Other (Note 9)	14,179,352	**19,832,511**	19,051,214
Contributions received pertaining to tangible capital assets	550,000	**443,622**	443,622
	206,275,569	**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**	30,846,129
Equipment, rentals and other administration	8,327,894	**13,543,866**	11,375,383
Utilities and maintenance	10,809,746	**10,758,278**	11,569,363
Amortization of tangible capital assets	4,550,000	**4,772,713**	4,749,793
	206,275,569	**215,675,236**	214,278,773
Annual surplus before the undernoted	-	**2,296,222**	741,640
Net revenue (expense) from Foundation operations	41,997	**(56,552)**	29,194
Gain on benefit plan curtailment (Note 13)	-	**5,111,301**	-
Annual surplus	41,997	**7,350,971**	770,834
Accumulated surplus, beginning of year	20,689,920	**20,689,920**	19,919,086
Accumulated surplus, end of year	$ 20,731,917	**$ 28,040,891**	$ 20,689,920

See accompanying notes to the consolidated financial statements

NOVA SCOTIA COMMUNITY COLLEGE
Consolidated Statement of Change in Net Financial Assets
Year ended March 31, 2016, with comparative information for 2015

	Budget	**2016**	2015
Annual surplus	$ 41,997	**$ 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**	4,749,793
Loss on disposal of tangible capital assets	-	**4,309**	-
	2,550,000	**1,178,869**	871,773
Net change in prepaid expenses	-	**(991,124)**	449,919
Increase in net financial assets	2,591,997	**7,538,716**	2,092,526
Net financial assets, beginning of year	7,447,686	**7,447,686**	5,355,160
Net financial assets, end of year	$ 10,039,683	**$ 14,986,402**	$ 7,447,686

See accompanying notes to the consolidated financial statements

NOVA SCOTIA COMMUNITY COLLEGE
Consolidated Statement of Cash Flows
Year ended March 31, 2016, with comparative information for 2015

	2016	2015
Operating transactions		
Annual surplus	**$ 7,350,971**	$ 770,834
Adjustments for:		
Amortization of tangible capital assets	**4,772,713**	4,749,793
Amortization of deferred revenue related to tangible capital assets	**(443,622)**	(443,622)
Loss on disposal of tangible capital assets	**4,309**	-
Employee future benefit obligations	**(1,391,348)**	7,055,016
Provincial receivable - NSTU future health benefits	**(4,124,074)**	(4,063,137)
Accrued obligation for other compensated absences	**(6,044)**	146,219
Gain on sale of investments	**(478,945)**	(448,257)
Unrealized loss (gain) on investments	**1,071,109**	171,700
Changes in non-cash working capital (Note 11)	**(3,901,764)**	(4,580,363)
	2,853,305	3,358,183
Capital transactions		
Purchase of tangible capital assets	**(3,598,153)**	(3,878,020)
	(3,598,153)	(3,878,020)
Investing transactions		
Proceeds on sale of investments	**7,477,963**	31,047,909
Purchase of investments	**(3,554,296)**	(7,215,315)
	3,923,667	23,832,594
Net increase in cash	**3,178,819**	23,312,757
Cash, beginning of year	**59,313,165**	36,000,408
Cash, end of year	**$ 62,491,984**	$ 59,313,165

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 preparation

The consolidated financial statements reflect the assets, liabilities, revenues, and expenditures of the reporting entity, which is composed of all organizations, which are controlled by the College and includes the Foundation. All inter-company accounts and transactions between these organizations are eliminated upon consolidation.

Cash

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

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

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.

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 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.

Tangible capital assets

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	3 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 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.

Impairment of long-lived assets

Long-lived assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair value.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventory for resale

Inventory for resale 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 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 other compensated absences

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.

Use of estimates

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

	2016	2015
Organizations	**$ 3,788,339**	$ 4,042,446
Student fees	**1,194,231**	1,201,361
Government funding	**8,785,718**	689,166
Foundation	**-**	69,809
Harmonized sales tax	**1,663,915**	1,116,401
Allowance for doubtful accounts	**(600,666)**	(613,642)
	$ 14,831,537	$ 6,505,541

4. TANGIBLE CAPITAL ASSETS

	2016			2015
	Cost	**Accumulated Amortization**	**Net Book Value**	Net Book Value
Land	**$ 1,232,981**	**$ -**	**$ 1,232,981**	$ 1,232,981
Buildings	**348,609**	**49,825**	**298,784**	307,908
Computer equipment	**7,611,690**	**7,097,147**	**514,543**	429,792
Furniture and equipment	**38,057,666**	**31,914,048**	**6,143,618**	7,324,986
Leasehold improvements	**7,823,054**	**4,546,959**	**3,276,095**	3,349,223
	$ 55,074,000	**$ 43,607,979**	**$ 11,466,021**	$ 12,644,890

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**	$ 795,662
Applied research	**674,298**	695,206
Business development	**390,272**	288,879
Continuing education	**24,235**	23,845
Cost recovery programs	**765,262**	797,865
Disability resources	**791,576**	708,201
Other	**3,515,053**	2,095,569
	$ 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**	$ 1,774,489
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.

	Restricted Fund	Endowment Fund	Total
Balance, March 31, 2014	$ 2,845,022	$ 4,200,829	$ 7,045,851
Contributions	358,847	359,072	717,919
Investment income	12,114	179,228	191,342
Unrealized (loss) on investments	-	(171,700)	(171,700)
Gain (loss) on sale of investments	(31)	448,288	448,257
Revenue recognized	(333,563)	(240,549)	(574,112)
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**

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

- The Foundation has investments of $8,174,905 (2015 - $7,642,773) related to externally restricted and endowment funds (Note 15).
- The portion of cash that is externally restricted and endowed is $126,912 and $(45,427), respectively (2015 - $121,386 and $102,257, respectively).

8. LABOUR AND ADVANCED EDUCATION – CORE GRANT

	2016	2015
Funding received	**$ 136,744,002**	$ 136,368,000
NSTU- future health benefits contribution (Note 13)	**4,663,273**	4,484,138
	$ 141,407,275	$ 140,852,138

9. OTHER REVENUE

	2016	2015
Bookstore revenue	**$ 5,095,622**	$ 4,929,192
Food sales	**1,824,836**	1,760,116
Shop revenue	**269,549**	274,995
Interest	**814,256**	842,656
Recoveries	**2,373,335**	2,572,583
Capital recoveries	**32,680**	1,146,652
Applied research	**1,992,115**	1,437,213
Lodging, rent and miscellaneous	**7,430,118**	6,087,807
	$ 19,832,511	$ 19,051,214

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 - College operating	**$ 23,090,374**	$ 15,682,851
Accumulated surplus - internally restricted for College development	**4,722,923**	4,722,923
Accumulated surplus - Foundation operating	**88,304**	49,901
Accumulated surplus - internally restricted Foundation	**139,290**	234,245
	$ 28,040,891	$ 20,689,920

During the year $132,183 (2015 - $106,743) of internally restricted contributions were recognized in revenue.

11. CHANGES IN NON-CASH WORKING CAPITAL

	2016	2015
Accounts receivable	**$ (8,325,996)**	$ 1,248,059
Inventory for resale	**59,721**	(4,622)
Prepaid expenses	**(991,124)**	449,919
Accounts payable and accrued liabilities	**3,289,024**	(5,176,301)
Deferred revenue - restricted funding	**1,759,537**	(1,709,124)
Deferred revenue - Foundation	**307,074**	611,706
	$ (3,901,764)	$ (4,580,363)

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**	17,080,996
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**	167,920
Amortization of actuarial gains	**-**	(463,861)
Gain on plan curtailment	**(5,111,301)**	-
Total expense related to the obligation	**$ (4,677,250)**	$ 868,059

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.

13. EMPLOYEE FUTURE BENEFIT OBLIGATIONS (continued)

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**	$	16,983,812
Unamortized actuarial gain		**2,011,306**		97,184
Benefit obligation - NSGEU and non-union employees	**$**	**16,533,713**	$	17,080,996

The total expense relate 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)**	(4,854,979)
Benefit obligation - NSTU	**$ 41,972,115**	$ 37,848,041

The total expense relate 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:
- o 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:
- o 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

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 financial statements. The benefits paid during the year were $339,412 (2015- $239,816).

14. ACCRUED OBLIGATION FOR OTHER COMPENSATED ABSENCES (continued)

At March 31, 2016 the College's accrued obligation for other compensated absences costs and obligations consists of:

		2016		2015
Accrued obligation for compensated absences	**$**	**1,964,170**	$	1,732,698
Unamortized actuarial loss		**(551,403)**		(313,887)
Accrued benefit obligation for other compensated absences	**$**	**1,412,767**	$	1,418,811

The total expense relate to the accrued obligation for compensated absences include the following components:

		2016		2015
Current period benefit costs	**$**	**251,230**	$	283,686
Interest expense		**33,772**		36,610
Amortization of actuarial loss		**48,366**		65,739
Total expense related to the obligation	**$**	**333,368**	$	386,035

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

Future salary increases	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 rest at 35 years of service or age 60, whichever is earlier.
EARSL	8 years (2015 – 9 years)

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 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)

(i) 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 statement of financial position 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, 2016.

(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, 2016, the College had cash of $62,491,984 (2015 - $59,313,165) and investments including $nil (2015 – $5,047,963).

(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.

Interest rate risk is the risk that the fair value of future cash flows or a financial instrument will fluctuate because of changes in the market interest rates.

Financial assets and financial liabilities with variable interest rates expose the College to cash flow interest rate risk. The College is exposed to this risk through its investments. The College mitigates its risk through investing in fixed interest rate, short-term fixed income investments.

Equity price risk is the risk that the fair value or cash flows of a financial instrument will fluctuate due to changes in equity prices. The Foundation's investments of $8,174,905 (2015 - $7,642,773) are exposed to price risk.

The fixed income portfolio contains bonds with an average duration of 5.76 years. An interest rate increase of 1% would impact the value of the bond portfolio by approximately (5.76%). Bonds comprise about 31% of the investment portfolio, impacting the investment value by (1.8%). The fixed income portfolio would not be impacted until a bond matured and it was potentially reinvested at a lower or higher interest rate.

As equities comprise about 65% of the investment portfolio, a 2% increase in equity values would increase the portfolio by 1.3% or approximately $106,000 on $5.3 million market value in equities.

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 impact to the overall portfolio. However, many of the individual securities in the portfolio are naturally hedged from an earnings perspective as a large percentage of their operating and borrowing costs are denominated in the currencies in which they undertake business.

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, 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)

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		March 31, 2015	
	Fair Value	**Cost**	Fair Value	Cost
Level 2				
Cash	**$ 62,491,984**	**$ 62,491,984**	$ 59,313,165	$ 59,313,165
Investments - College	**-**	**-**	5,047,963	5,047,963
Investments - Endowment Fund	**8,174,905**	**8,871,847**	7,642,773	7,268,606
	$ 70,666,889	**$ 71,363,831**	$ 72,003,901	$ 71,629,734

There has been no significant transfer of financial instruments between levels, during the year. There were no fair value measurements classified as level 1 or 3.

c) Gain from fund distribution

During the year, the College received non-cash distributions on investments totaling $380,838 (2015 - $111,140). These distributions represent a distribution of units by the respective investments in lieu of cash.

16. COMMITMENTS

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

2017	$ 2,250,939
2018	1,752,358
2019	947,554
2020	671,002
2021	646,870
	$ 6,268,723

17. COMPARATIVE INFORMATION

Certain comparative information has been reclassified to conform with the financial statement presentation adopted in the current year.