Consolidated Financial Statements of

NOVA SCOTIA COMMUNITY COLLEGE

March 31, 2018

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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, 2018, 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, 2018, 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 Professional Accountants, Licensed Public Accountants
June 21, 2018
Halifax, Canada

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NOVA SCOTIA COMMUNITY COLLEGE
Consolidated Statement of Financial Position
March 31, 2018, with comparative information for 2017

	2018	2017
Financial assets		
Cash (Note 15)	**$ 38,168,315**	$ 51,658,976
Investments (Note 15)	**34,139,548**	30,640,247
Accounts receivable (Note 3)	**24,527,794**	15,853,139
Provincial receivable - NSTU future health benefits (Note 13)	**50,887,700**	46,777,600
Inventory for resale	**831,869**	926,695
	148,555,226	145,856,657
Liabilities		
Accounts payable and accrued liabilities	**32,797,207**	36,856,023
Deferred revenue - restricted funding (Note 5)	**5,905,541**	7,361,119
Deferred revenue related to tangible capital assets (Note 6)	**-**	443,623
Deferred revenue - Foundation (Note 7)	**14,966,044**	10,322,120
Employee future benefit obligations (Note 13)	**75,898,705**	72,148,470
Accrued obligation for other compensated absences (Note 14)	**1,564,675**	1,454,126
	131,132,172	128,585,481
Net financial assets	**17,423,054**	17,271,176
Non-financial assets		
Tangible capital assets (Note 4)	**10,152,939**	10,332,106
Prepaid expenses	**1,046,928**	720,709
	11,199,867	11,052,815
Accumulated surplus (Note 10)	**$ 28,622,921**	$ 28,323,991

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

On behalf of the Board:

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Chair

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President

NOVA SCOTIA COMMUNITY COLLEGE
Consolidated Statement of Operations and Accumulated Surplus
Year ended March 31, 2018, with comparative information for 2017

	Budget	**2018**	2017
Revenues			
Labour and Advanced Education - core grant (Note 8)	$ 138,324,700	**$ 143,012,700**	$ 143,081,700
Labour and Advanced Education - other	17,384,100	**18,713,055**	17,341,759
Tuition and fees	33,916,221	**34,916,389**	35,295,743
Contract training and service contracts	3,542,296	**2,981,327**	3,770,453
Other (Note 9)	14,797,438	**24,177,846**	22,190,201
Contributions received pertaining to tangible capital assets	443,622	**443,623**	443,622
	208,408,377	**224,244,940**	222,123,478
Expenditures			
Salaries and benefits	158,372,700	**161,561,491**	160,761,180
Operating supplies and services	27,231,457	**32,421,923**	33,940,403
Equipment, rentals and other administration	8,315,160	**15,135,122**	11,984,835
Utilities and maintenance	9,939,060	**10,363,832**	10,625,407
Amortization of tangible capital assets	4,550,000	**4,560,520**	4,535,646
	208,408,377	**224,042,888**	221,847,471
Annual surplus before the undernoted	-	**202,052**	276,007
Net revenue from Foundation operations	97,500	**96,878**	7,093
Annual surplus	97,500	**298,930**	283,100
Accumulated surplus, beginning of year	28,323,991	**28,323,991**	28,040,891
Accumulated surplus, end of year	$ 28,421,491	**$ 28,622,921**	$ 28,323,991

See accompanying notes to the consolidated financial statements

NOVA SCOTIA COMMUNITY COLLEGE
Consolidated Statement of Change in Net Financial Assets
Year ended March 31, 2018, with comparative information for 2017

	Budget	**2018**	2017
Annual surplus	$ 97,500	**$ 298,930**	$ 283,100
Change in tangible capital assets			
Purchase of tangible capital assets	(3,000,000)	**(4,381,353)**	(3,404,170)
Amortization of tangible capital assets	4,550,000	**4,560,520**	4,535,646
Loss on disposal of tangible capital assets	-	**-**	2,439
	1,550,000	**179,167**	1,133,915
Net change in prepaid expenses	-	**(326,219)**	867,759
Increase in net financial assets	1,647,500	**151,878**	2,284,774
Net financial assets, beginning of year	17,271,176	**17,271,176**	14,986,402
Net financial assets, end of year	$ 18,918,676	**$ 17,423,054**	$ 17,271,176

See accompanying notes to the consolidated financial statements

NOVA SCOTIA COMMUNITY COLLEGE
Consolidated Statement of Cash Flows
Year ended March 31, 2018, with comparative information for 2017

	2018	2017
Operating transactions		
Annual surplus	$ **298,930**	$ 283,100
Adjustments for:		
Amortization of tangible capital assets	**4,560,520**	4,535,646
Amortization of deferred revenue related to tangible capital assets	**(443,623)**	(443,622)
Loss on disposal of tangible capital assets	**-**	2,439
Employee future benefit obligations	**3,750,235**	5,778,480
Provincial receivable - NSTU future health benefits	**(4,110,100)**	(4,805,485)
Accrued obligation for other compensated absences	**110,549**	41,359
Gain on sale of investments	**(36,815)**	(319,740)
Gain from fund distributions	**(243,413)**	(33,486)
Unrealized gain on investments	**(413,549)**	(727,953)
Changes in non-cash working capital (Note 11)	**(9,776,518)**	9,644,587
	(6,303,784)	13,955,325
Capital transactions		
Purchase of tangible capital assets	**(4,381,353)**	(3,404,170)
	(4,381,353)	(3,404,170)
Investing transactions		
Proceeds on sale of investments	**21,212,658**	734,615
Purchase of investments	**(24,018,182)**	(22,118,778)
	(2,805,524)	(21,384,163)
Net decrease in cash	**(13,490,661)**	(10,833,008)
Cash, beginning of year	**51,658,976**	62,491,984
Cash, end of year	$ **38,168,315**	$ 51,658,976

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 allow the College to construct facilities on land owned by the Province pursuant to the infrastructure investment by the Province. Costs associated with these projects are 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 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.

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments(continued)

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.

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	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 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.

Inventory for resale

Inventory for resale consists of merchandise and supplies held for resale and is valued at the lower of weighted average cost and net realizable value. Administrative and program supplies and library periodicals are not inventoried.

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 contributions are recognized as revenue in the year the related expenses are recognized. Endowment contributions by their nature are not recognized as revenue but held as a deferred contribution indefinitely.

Investment income is recorded on an accrual basis. Restricted investment income, either as a result of external restrictions or the terms of endowment agreements, is recognized as revenue in the year in which the related expenses are recognized. Unrestricted investment revenue, including income related to internally restricted funds is recognized when 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, accumulated surplus and net financial assets as incurred.

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. In 2018, the Province offered a one-time payout option to all non-union and management employees who have a service award and whose service was previously frozen. The value of the one-time payout option is reflected as part of the benefits paid during the year for the College Service Award.

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

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.

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.

Adoption of New Accounting Standards

On April 1, 2017, the College adopted the following Canadian public sector accounting standards:

- PS 2200 Related party disclosures, defines a related party and establishes disclosures required for related party transactions.
- PS 3210 Assets, provides guidance for applying the definition of assets in PS 1000, Financial Statement Concepts and establishes general disclosure standards for assets.
- PS 3320 Contingent Assets, establishes disclosure standards on contingent assets.
- PS 3380 Contractual rights, defines and establishes disclosure standards on rights to economic resources arising from contracts or agreements that will result in both an asset and revenue in the future.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Adoption of New Accounting Standards (continued)

- PS 3420 Inter-entity transactions, establishes standards on how to account for and report transactions between public sector entities that comprise the reporting entity. This standard provides that inter-entity transactions should generally be recorded at the carrying amount at the transaction date, except in certain circumstances.

The adoption of these standards did not result in an accounting policy change and did not result in any adjustments to the consolidated financial statements as at April 1, 2017.

3. ACCOUNTS RECEIVABLE

	2018	2017
Organizations	**$ 13,599,234**	$ 6,287,063
Student fees	**1,386,600**	1,231,982
Government funding	**8,917,292**	7,797,043
Harmonized sales tax	**1,428,315**	1,330,725
Allowance for doubtful accounts	**(803,647)**	(793,674)
	$ 24,527,794	$ 15,853,139

4. TANGIBLE CAPITAL ASSETS

	2018			2017
	Cost	**Accumulated Amortization**	**Net Book Value**	Net Book Value
Land	**$ 1,243,123**	**$ -**	**$ 1,243,123**	$ 1,244,123
Buildings	**464,008**	**93,059**	**370,949**	313,392
Computer equipment	**8,394,017**	**7,967,154**	**426,863**	493,541
Furniture and equipment	**44,212,813**	**38,272,710**	**5,940,103**	5,813,617
Leasehold improvements	**8,332,402**	**6,160,501**	**2,171,901**	2,467,433
	$ 62,646,363	**$ 52,493,424**	**$ 10,152,939**	$ 10,332,106

5. DEFERRED REVENUE – RESTRICTED FUNDING

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

		2018		2017
Apprenticeship	**$**	**69,231**	$	561,537
Applied research		**824,458**		1,150,233
Business development		**228,404**		467,524
Continuing education		**147,186**		145,441
Cost recovery programs		**582,085**		655,975
Disability resources		**743,010**		760,037
Other		**3,311,167**		3,620,372
	$	**5,905,541**	$	7,361,119

6. DEFERRED REVENUE RELATED TO TANGIBLE CAPITAL ASSETS

Deferred revenue related to tangible capital assets represents funding received from Labour and Advanced Education used to acquire tangible capital 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:

		2018		2017
Deferred revenue - beginning balance	**$**	**443,623**	$	887,245
Recognition of deferred contributions related to tangible capital assets		**(443,623)**		(443,622)
	$	**-**	$	443,623

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, 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 loss 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
Contributions	**2,379,798**	**2,836,605**	**5,216,403**
Investment income	**46,754**	**261,853**	**308,607**
Unrealized gain on investments	**62,653**	**350,896**	**413,549**
Gain on sale of investments	**42,454**	**237,772**	**280,226**
Revenue recognized	**(1,002,594)**	**(572,267)**	**(1,574,861)**
Balance, March 31, 2018	**$ 4,460,586**	**$ 10,505,458**	**$ 14,966,044**

As a result of external restrictions and endowments the College has restricted the Foundation investments of $13,352,469 (2017 - $10,137,549) related to externally restricted and endowment funds (Note 15).

8. LABOUR AND ADVANCED EDUCATION – CORE GRANT

	2018	2017
Funding received	**$ 138,324,000**	$ 137,797,000
NSTU- future health benefits contribution (Note 13)	**4,688,700**	5,284,700
	$ 143,012,700	$ 143,081,700

9. OTHER REVENUE

	2018	2017
Bookstore revenue	**$ 4,799,423**	$ 4,998,143
Food sales	**1,562,779**	1,848,681
Shop revenue	**276,208**	280,623
Interest	**1,212,241**	922,595
Recoveries	**2,436,643**	2,703,565
Capital recoveries	**1,245,911**	601,001
Applied research	**3,387,286**	2,530,636
Lodging, rent and miscellaneous	**9,257,355**	8,304,957
	$ 24,177,846	$ 22,190,201

10. ACCUMULATED SURPLUS

Specific funds have been internally restricted by the Board of the College and the Foundation to ensure that the funds are used solely for College and Foundation development projects. The Board of the Foundation has internally restricted funds for campus-based student emergency funding, scholarships, bursaries and awards in the amount of $187,889 (2017 - $120,324). The Board of the College has also restricted $4,722,923 (2017 - $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.

	2018	2017
Accumulated surplus - College operating	**$ 23,568,433**	$ 23,366,381
Accumulated surplus - internally restricted for College development	**4,722,923**	4,722,923
Accumulated surplus - Foundation other	**143,676**	114,363
Accumulated surplus - internally restricted Foundation	**187,889**	120,324
	$ 28,622,921	$ 28,323,991

11. CHANGES IN NON-CASH WORKING CAPITAL

	2018	2017
Accounts receivable	**$ (8,674,655)**	$ (1,021,602)
Inventory for resale	**94,826**	(88,659)
Prepaid expenses	**(326,219)**	867,759
Accounts payable and accrued liabilities	**(4,058,816)**	7,333,245
Deferred revenue - restricted funding	**(1,455,578)**	196,355
Deferred revenue - Foundation	**4,643,924**	2,357,489
	$ (9,776,518)	$ 9,644,587

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% (2017 - 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% (2017 – 10.9%) on the part of their salary that is in excess of YMPE. Under this plan, the College has recognized contributions of $9,088,275 (2017 - $8,747,553) for the year.

Actuarial valuations of the Plan are conducted annually, and provide an estimate of the accrued pension obligation (Plan liabilities) calculated using various economic and demographic assumptions, based on membership data as at the valuation date. The Plan's consulting actuaries, Mercer, performed a valuation as at December 31, 2016 and issued their report in June 2017. The report indicated that the Plan had a funding excess of $160,833,000 (December 31, 2015 – funding excess of $44,869,000). The College is not responsible for, or cannot benefit from, deficits or surpluses of the plan other than changes to employer contribution rates.

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: 11.3% (2017 - 11.3%) on the part of their salary that is equal to or less than the YMPE under the CPP and 12.9% (2017 - 12.9%) on the part of their salary that is in excess of YMPE. Under this plan, the College has recognized contributions of $16,262,473 (2017 - $15,708,697) for the year.

Actuarial valuations of the Plan are required every year by the Act, and provide an estimate of the accrued pension obligation (Plan liabilities) calculated using various economic and demographic assumptions, based on membership data as at the valuation date. The Plan's consulting actuaries, Eckler Limited, performed a valuation as at December 31, 2017 and issued their report in April 2018. The report indicated that the Plan had an unfunded liability of $1,406,234 (2016 - $1,409,344). The College is not responsible for, or cannot benefit from, deficits or surpluses of the plan other than changes to employer contribution rates.

13. EMPLOYEE FUTURE BENEFIT OBLIGATIONS

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

	2018	2017
College service award	**$ 5,673,549**	$ 7,474,324
Non-pension retirement benefits - NSGEU and non-union employees	**19,337,456**	17,896,546
Non-pension retirement benefits - NSTU	**50,887,700**	46,777,600
	$75,898,705	$ 72,148,470

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 $1,899,626 (2017 - $510,675). An actuarial valuation was completed as of March 31, 2018 and the College's obligation relating to these benefits includes:

	2018	2017
College service award accrued benefit obligation	**$ 5,463,000**	$ 7,233,000
Unamortized actuarial gain	**210,549**	241,324
Benefit obligation - College service award	**$ 5,673,549**	$ 7,474,324

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

	2018	2017
Interest expense	**$ 125,664**	$ 146,953
Amortization of actuarial gains	**(26,814)**	(26,116)
Total expense related to the obligation	**$ 98,850**	$ 120,837

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

Future salary increase	3% per annum (2017 - 3% per annum)
Discount rate	2.45% per annum (2017 - 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 (2017 – 9 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.

In 2018, the Province offered a one-time payout option to all non-union and management employees who have a service award and whose service was previously frozen. The value of the one-time payout option is reflected as part of the benefits paid during the year for the College Service Award. As a result, the College Service Award benefit obligation significantly reduced this year.

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 $228,226 (2017 - $214,291). An actuarial valuation was completed as of March 31, 2018 and the College's obligation relating to these benefits includes:

		2018		2017
NSGEU and non-union employees accrued benefit obligation	**$**	**16,142,996**	$	15,467,237
Unamortized actuarial gain		**3,194,460**		2,429,309
Benefit obligation - NSGEU and non-union employees	**$**	**19,337,456**	$	17,896,546

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

		2018		2017
Current period benefit costs	**$**	**1,399,896**	$	1,288,602
Interest expense		**321,061**		301,191
Amortization of actuarial gain		**(51,821)**		(12,669)
Total expense related to the NSGEU and non-union employees	**$**	**1,669,136**	$	1,577,124

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

Discount rate	2.45% per annum (2017 - 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 (2017 – 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 $578,600 (2017 - $479,200).

13. EMPLOYEE FUTURE BENEFIT OBLIGATIONS (continued)

Non-pension Retirement Benefits – NSTU (continued)

An actuarial valuation was completed as of March 31, 2018 and the College's obligation relating to these benefits includes:

	2018	2017
NSTU accrued benefit obligation	**$ 54,874,800**	$ 49,252,000
Unamortized actuarial loss	**(3,987,100)**	(2,474,400)
Benefit obligation - NSTU	**$ 50,887,700**	$ 46,777,600

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

	2018	2017
Current period benefit costs	**$ 2,567,500**	$ 2,773,200
Interest expense	**1,781,800**	1,847,700
Amortization of actuarial loss	**339,400**	663,800
Total expense related to the NSTU obligation	**$ 4,688,700**	$ 5,284,700

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

Discount rate	3.42% per annum (2017 – 3.59% per annum)
Retirement age	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 (2017 – 12 years)

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 financial statements. The benefits paid during the year were $451,064 (2017 - $337,310).

14. ACCRUED OBLIGATION FOR OTHER COMPENSATED ABSENCES (continued)

At March 31, 2018 the College's accrued obligation for other compensated absences costs and obligations consists of:

	2018	2017
Accrued obligation for compensated absences	**$ 2,629,397**	$ 2,569,373
Unamortized actuarial loss	**(1,064,722)**	(1,115,247)
Accrued benefit obligation for other compensated absences	**$ 1,564,675**	$ 1,454,126

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

	2018	2017
Current period benefit costs	**$ 346,180**	$ 256,097
Interest expense	**50,339**	38,471
Amortization of actuarial loss	**165,094**	84,101
Total expense related to the obligation	**$ 561,613**	$ 378,669

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

Future salary increases	3% per annum (2017 - 3% per annum)
Discount rate	2.45% per annum (2017 - 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 (2017 – 8 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 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:

(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, investment and cash. The College performs a continuous evaluation of its accounts receivable balance and records an

15. FINANCIAL INSTRUMENTS (continued)

(i) Credit risk (continued)

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. The College also manages credit risk by holding its cash and investments with high quality financial institutions in Canada. Management considers there is no significant credit risk as at March 31, 2018.

(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, 2018, the College had cash of $38,168,315 (2017 - $51,658,976) and investments of $20,787,079 (2017 – $20,502,698), before considering Foundation investments.

(iii) Market risk

Market risk is the risk that the fair value or cash flows of a financial instrument will fluctuate due to changes in market interest rates, market prices and changes in foreign exchange rates.

The College, through the Foundation invests in funds managed by a third party financial institution based on policies established by the Foundation's Investment Policy. The value of the third party managed funds are sensitive to market fluctuations including interest rates, market prices and foreign currency impacting the underlying investments of the fund. An immediate hypothetical decline of 10% in the unit value of funds will impact the Foundation's investments by an approximate loss of $1,300,000 (2017 - $1,000,000). A hypothetical increase of 10% in unit values would have an equal increase.

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.

15. FINANCIAL INSTRUMENTS (continued)

b) Fair value (continued)

- 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).

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, 2018		March 31, 2017	
	Fair Value	Cost	Fair Value	Cost
Level 2				
Cash	**$ 38,168,315**	**$ 38,168,315**	$ 51,658,976	$ 51,658,976
Investments - College	**20,787,079**	**20,787,079**	20,502,698	20,502,698
Investments - Endowment Fund	**13,086,324**	**12,379,628**	10,137,549	10,106,538
Investments - Short Term	**266,145**	**266,145**	-	-
	$ 72,307,863	**$ 71,601,167**	$ 82,299,223	$ 82,268,212

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 $243,413 (2017 - $33,486). 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:

2019	$ 1,501,816
2020	1,186,454
2021	1,090,493
2022	692,217
2023	627,327
	$ 5,098,307

17. RELATED PARTY TRANSACTIONS

The College is related to the Province of Nova Scotia as it was created through the Community College Act of Nova Scotia and received funding from the Nova Scotia Department of Labour and Advanced Education. The majority of land and buildings the College uses to fulfill its mandate are owned by the Province of Nova Scotia. The College uses these assets through an operating agreement. No compensation is paid for the use of the assets.

Other transactions with the Province of Nova Scotia are disclosed in Note 8.