*Consolidated Financial Statements of*

# NOVA SCOTIA COMMUNITY COLLEGE

*March 31, 2019*

KPMG LLP
Purdy's Wharf Tower One
1959 Upper Water Street, Suite 1500
Halifax Nova Scotia B3J 3N2
Canada
Telephone (902) 492-6000
Fax (902) 429-1307

# INDEPENDENT AUDITORS' REPORT

To the Board of Governors of the Nova Scotia Community College

## *Opinion*

We have audited the consolidated financial statements of Nova Scotia Community College (the Entity), which comprise:

- the consolidated statement of financial position as at March 31, 2019
- the consolidated statement of operations and accumulated surplus for the year then ended
- the consolidated statement of changes in net financial assets for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at March 31, 2019, 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.

## *Basis for Opinion*

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

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

## *Responsibilities of Management and Those Charged with Governance for the Financial Statements*

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

## *Auditors' Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Public Accountants, Licensed Public Accountants

Halifax, Canada

June 27, 2019

# NOVA SCOTIA COMMUNITY COLLEGE
## Table of Contents
**March 31, 2019**

# NOVA SCOTIA COMMUNITY COLLEGE
## Consolidated Statement of Financial Position
### March 31

| | | 2019 | | 2018 |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Cash (Note 14) | **$** | **42,361,136** | $ | 38,168,315 |
| Investments (Note 14) | | **41,357,270** | | 34,139,548 |
| Accounts receivable (Note 3) | | **15,281,506** | | 24,527,794 |
| Provincial receivable - future health benefits (Note 12) | | **64,796,633** | | 50,887,700 |
| Inventory for resale | | **802,705** | | 831,869 |
| | | **164,599,250** | | 148,555,226 |
| **Liabilities** | | | | |
| Accounts payable and accrued liabilities | | **27,631,028** | | 32,797,207 |
| Deferred revenue - restricted funding (Note 5) | | **9,074,871** | | 5,905,541 |
| Deferred revenue - Foundation (Note 6) | | **21,410,160** | | 14,966,044 |
| Employee future benefit obligations (Note 12) | | **86,271,285** | | 75,898,705 |
| Accrued obligation for other compensated absences (Note 13) | | **1,619,582** | | 1,564,675 |
| | | **146,006,926** | | 131,132,172 |
| **Net financial assets** | | **18,592,324** | | 17,423,054 |
| **Non-financial assets** | | | | |
| Tangible capital assets (Note 4) | | **9,191,463** | | 10,152,939 |
| Prepaid expenses | | **605,001** | | 1,046,928 |
| | | **9,796,464** | | 11,199,867 |
| **Accumulated surplus (Note 9)** | **$** | **28,388,788** | $ | 28,622,921 |

Commitments (Note 15)
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

| | Budget | **2019** | 2018 |
|---|---|---|---|
| **Revenues** | | | |
| Labour and Advanced Education - core grant | $ 138,848,000 | **$ 145,056,878** | $ 138,324,000 |
| Labour and Advanced Education - retirement health benefits | - | **14,575,703** | 4,688,700 |
| Labour and Advanced Education - other | 17,926,641 | **19,667,394** | 18,713,055 |
| Tuition and fees | 33,101,380 | **36,959,614** | 34,916,389 |
| Contract training and service contracts | 3,889,295 | **2,140,619** | 2,981,327 |
| Other (Note 8) | 15,213,431 | **26,663,401** | 24,177,846 |
| Contributions related to tangible capital assets (Note 7) | - | **-** | 443,623 |
| | 208,978,747 | **245,063,609** | 224,244,940 |
| **Expenditures** | | | |
| Salaries and benefits | 159,172,309 | **184,593,074** | 161,561,491 |
| Operating supplies and services | 27,802,703 | **33,606,977** | 32,421,923 |
| Equipment, rentals and other administration | 7,833,901 | **12,894,547** | 15,135,122 |
| Utilities and maintenance | 10,069,834 | **10,530,193** | 10,363,832 |
| Amortization of tangible capital assets | 4,100,000 | **3,734,422** | 4,560,520 |
| | 208,978,747 | **245,359,213** | 224,042,888 |
| Annual (loss)/surplus before the undernoted | - | **(295,604)** | 202,052 |
| Net revenue from Foundation operations | 197,500 | **61,471** | 96,878 |
| Annual (loss)/surplus | 197,500 | **(234,133)** | 298,930 |
| Accumulated surplus, beginning of year | 28,622,921 | **28,622,921** | 28,323,991 |
| **Accumulated surplus, end of year** | $ 28,820,421 | **$ 28,388,788** | $ 28,622,921 |

See accompanying notes to the consolidated financial statements

# NOVA SCOTIA COMMUNITY COLLEGE
## Consolidated Statement of Change in Net Financial Assets
### Year ended March 31

| | Budget | **2019** | 2018 |
|---|---|---|---|
| **Annual (loss)/surplus** | $ 197,500 | **$ (234,133)** | $ 298,930 |
| **Change in tangible capital assets** | | | |
| Purchase of tangible capital assets | (3,000,000) | **(2,776,800)** | (4,381,353) |
| Amortization of tangible capital assets | 4,100,000 | **3,734,422** | 4,560,520 |
| Loss on disposal of tangible capital assets | - | **3,854** | - |
| | 1,100,000 | **961,476** | 179,167 |
| Net change in prepaid expenses | - | **441,927** | (326,219) |
| Increase in net financial assets | 1,297,500 | **1,169,270** | 151,878 |
| Net financial assets, beginning of year | 17,423,054 | **17,423,054** | 17,271,176 |
| **Net financial assets, end of year** | $ 18,720,554 | **$ 18,592,324** | $ 17,423,054 |

See accompanying notes to the consolidated financial statements

# NOVA SCOTIA COMMUNITY COLLEGE
## Consolidated Statement of Cash Flows
### Year ended March 31

| | 2019 | 2018 |
|---|---|---|
| **Increase (decrease) in Cash** | | |
| **Operating** | | |
| Annual (loss)/surplus | $ **(234,133)** | $ 298,930 |
| Adjustments for: | | |
| Amortization of tangible capital assets | **3,734,422** | 4,560,520 |
| Amortization of deferred revenue related to tangible capital assets | **-** | (443,623) |
| Loss on disposal of tangible capital assets | **3,854** | - |
| Employee future benefit obligations | **10,372,580** | 3,750,235 |
| Provincial receivable - future health benefits | **(13,908,933)** | (4,110,100) |
| Accrued obligation for other compensated absences | **54,907** | 110,549 |
| Gain on sale of investments | **(55,648)** | (36,815) |
| Gain from fund distributions | **(288,646)** | (243,413) |
| Unrealized gain on investments | **(222,318)** | (413,549) |
| Changes in non-cash working capital (Note 10) | **14,164,646** | (9,776,518) |
| | **13,620,731** | (6,303,784) |
| **Capital** | | |
| Purchase of tangible capital assets | **(2,776,800)** | (4,381,353) |
| | **(2,776,800)** | (4,381,353) |
| **Investing** | | |
| Proceeds on sale of investments | **21,087,205** | 21,212,658 |
| Purchase of investments | **(27,738,315)** | (24,018,182) |
| | **(6,651,110)** | (2,805,524) |
| Net increase/(decrease) in cash | **4,192,821** | (13,490,661) |
| Cash, beginning of year | **38,168,315** | 51,658,976 |
| **Cash, end of year** | $ **42,361,136** | $ 38,168,315 |

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 – 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. Computer equipment, furniture and equipment and leasehold improvements 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 are amortized on a declining balance basis at 4%.

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 is 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.

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

*Pension Plans (continued)*

upon available funding. The College accounts for these plans as defined contribution plans. The contributions to the plans required during the year are recorded as an expense.

*Employee future benefit obligations*

The College provides a service award to eligible employees who retire based on a percentage of compensation and years of service earned up until April 1, 2015. Effective April 1, 2015 the College's service award (the "CSA") 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 and in 2019, the Province offered a one-time payout option to all non-union, management and bargaining unit employees who have a service award and whose service was previously frozen. The difference between the value of the one-time payout option and the benefit obligation is reflected as part of the benefits paid during 2018 and 2019 for the CSA.

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 (note 13).

*Accrued obligation for other compensated absences*

Certain 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 (note 13).

*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

| | **2019** | 2018 |
|---|---|---|
| Organizations | **$ 5,223,584** | $ 13,599,234 |
| Student tuition and fees | **1,127,610** | 1,386,600 |
| Government funding | **7,922,455** | 8,917,292 |
| Harmonized sales tax | **1,262,387** | 1,428,315 |
| Allowance for doubtful accounts | **(254,530)** | (803,647) |
| | **$ 15,281,506** | $ 24,527,794 |

### 4. TANGIBLE CAPITAL ASSETS

| | **2019** | | | 2018 |
|---|---|---|---|---|
| | **Cost** | **Accumulated Amortization** | **Net Book Value** | Net Book Value |
| Land | **$ 1,243,123** | **$ -** | **$ 1,243,123** | $ 1,243,123 |
| Buildings | **464,008** | **84,262** | **379,746** | 370,949 |
| Computer equipment | **8,707,100** | **8,353,714** | **353,386** | 426,863 |
| Furniture and equipment | **45,183,106** | **39,570,818** | **5,612,288** | 5,940,103 |
| Leasehold improvements | **8,371,410** | **6,768,490** | **1,602,920** | 2,171,901 |
| | **$ 63,968,747** | **$ 54,777,284** | **$ 9,191,463** | $ 10,152,939 |

### 5. DEFERRED REVENUE – RESTRICTED FUNDING

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

| | **2019** | 2018 |
|---|---|---|
| Applied research | **$ 1,361,310** | $ 824,458 |
| Business development | **190,745** | 228,404 |
| Continuing education | **202,751** | 147,186 |
| Cost recovery programs | **617,998** | 582,085 |
| Adult learning program | **875,211** | - |
| Achieve | **954,243** | 294,435 |
| One NS Dashboard | **731,677** | - |
| Disability resources | **414,150** | 743,010 |
| Other | **3,726,786** | 3,085,963 |
| | **$ 9,074,871** | $ 5,905,541 |

### 6. 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, 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 loss 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 |
| Contributions | **2,528,185** | **5,330,913** | **7,859,098** |
| Investment income | **52,812** | **365,854** | **418,666** |
| Unrealized gain on investments | **28,044** | **194,274** | **222,318** |
| Gain on sale of investments | **43,454** | **301,029** | **344,483** |
| Revenue recognized | **(1,544,854)** | **(855,595)** | **(2,400,449)** |
| Balance, March 31, 2019 | **$ 5,568,227** | **$ 15,841,933** | **$ 21,410,160** |

As a result of external restrictions and endowments the College has restricted investments of $20,132,458 (2018 - $13,352,469) related to externally restricted and endowment funds.

### 7. 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:

| | **2019** | 2018 |
|---|---|---|
| Deferred revenue - beginning balance | **$ -** | $ 443,623 |
| Amortization of deferred revenue related to tangible capital assets | **-** | (443,623) |
| | $ - | $ - |

## 8. OTHER REVENUE

| | 2019 | 2018 |
|---|---|---|
| Bookstore revenue | **$ 4,439,045** | $ 4,799,423 |
| Food sales | **1,426,351** | 1,562,779 |
| Shop revenue | **232,342** | 276,208 |
| Interest | **1,566,676** | 1,212,241 |
| Recoveries | **2,296,596** | 2,436,643 |
| Capital recoveries | **10,370** | 1,245,911 |
| Applied research | **3,114,255** | 3,387,286 |
| Provincial service award recovery | **4,251,731** | - |
| Lodging, rent and miscellaneous | **9,326,035** | 9,257,355 |
| | **$ 26,663,401** | $ 24,177,846 |

## 9. 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 $155,322 (2018 - $187,889). The Board of the College has also restricted $4,722,923 (2018 - $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.

| | 2019 | 2018 |
|---|---|---|
| Accumulated surplus - College operating | **$ 23,272,829** | $ 23,568,433 |
| Accumulated surplus - internally restricted for College development | **4,722,923** | 4,722,923 |
| Accumulated surplus - Foundation other | **235,962** | 143,676 |
| Accumulated surplus - internally restricted Foundation | **155,322** | 187,889 |
| | **$ 28,387,036** | $ 28,622,921 |

### 10. CHANGES IN NON-CASH WORKING CAPITAL

| | **2019** | 2018 |
|---|---|---|
| Accounts receivable | **$ 9,246,288** | $ (8,674,655) |
| Inventory for resale | **29,164** | 94,826 |
| Prepaid expenses | **441,927** | (326,219) |
| Accounts payable and accrued liabilities | **(5,166,179)** | (4,058,816) |
| Deferred revenue - restricted funding | **3,169,330** | (1,455,578) |
| Deferred revenue - Foundation | **6,444,116** | 4,643,924 |
| | **$ 14,164,646** | $ (9,776,518) |

### 11. 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% (2018 - 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% (2018 – 10.9%) on the part of their salary that is in excess of YMPE. Under this plan, the College has recognized contributions of $9,466,865 (2018 - $9,088,275) 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, 2017 and issued their report in June 2018. The report indicated that the Plan had a funding excess of $254,878,000 (December 31, 2016 – funding excess of $160,833,000). 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% (2018 - 11.3%) on the part of their salary that is equal to or less than the YMPE under the CPP and 12.9% (2018 - 12.9%) on the part of their salary that is in excess of YMPE. Under this plan, the College has recognized contributions of $17,614,450 (2018 - $16,262,473) 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.

### 11. PENSION PLANS (continued)

The Plan's consulting actuaries, Eckler Limited, performed a valuation as at December 31, 2018 and issued their report in April 2019. The report indicated that the Plan had an unfunded liability of $1,617,642,000 (2017 - $1,406,234,000). The College is not responsible for, or cannot benefit from, deficits or surpluses of the plan other than changes to employer contribution rates.

### 12. EMPLOYEE FUTURE BENEFIT OBLIGATIONS

The College employees are entitled to several benefits as follows:

| | **2019** | 2018 |
|---|---|---|
| College service award | **$ 598,362** | $ 5,673,549 |
| Non-pension retirement benefits - NSGEU and non-union employees | **20,876,290** | 19,337,456 |
| Non-pension retirement benefits - NSTU | **26,213,533** | 50,887,700 |
| Non-pension retirement benefits - NSCCAU | **38,583,100** | - |
| Benefit obligation - College service award | **$ 86,271,285** | $ 75,898,705 |

*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. Effective April 1, 2015 the CSA was frozen with no further years of service permitted. Adjustments to the benefit related to salary increases remained consistent with the existing agreement. 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 $5,308,701 (2018 - $1,899,626).

In 2018 and 2019, the Province offered a one-time payout option to all non-union, management and bargaining unit employees who have a service award and whose service was previously frozen. The difference between the value of the one-time payout option and the amount of the benefit obligation is reflected as part of the benefits paid during 2018 and 2019 for the CSA as this represents a partial plan settlement. This resulted in a reduction of the benefit obligation of $174,947.

### 12. EMPLOYEE FUTURE BENEFIT OBLIGATIONS (continued)

*College Service Award (continued)*

An actuarial valuation was completed as of March 31, 2019 and the College's obligation relating to these benefits includes:

| | **2019** | 2018 |
|---|---|---|
| College service award accrued benefit obligation | **$ 586,000** | $ 5,463,000 |
| Unamortized actuarial gain | **12,362** | 210,549 |
| Benefit obligation - College service award | **$ 598,362** | $ 5,673,549 |

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

| | **2019** | 2018 |
|---|---|---|
| Interest expense | **$ 73,122** | $ 125,664 |
| Loss on partial plan settlement | **174,947** | - |
| Amortization of actuarial gains | **(14,554)** | (26,814) |
| Total expense related to obligation | **$ 233,515** | $ 98,850 |

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

| | |
|---|---|
| Future salary increase | 3% per annum (2018 - 3% per annum) |
| Discount rate | 2.70% per annum (2018 – 2.45% per annum) |
| Retirement age | 10% at age 59; 20% at age 60; 10% at each year from ages 61-64; 50% at each year from ages 65-69; 100% at age 70; 20% at each year on or after 80 points (age + service) is reached for employees hired before April 6, 2010, if greater than age based rate; 40% when 35 years of service is reached if greater than previous described rates. |
| Expected Average Remaining Service Life (EARSL) | 9 years (2018 – 9 years) |

*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 $209,932 (2018 - $228,226).

## 12. EMPLOYEE FUTURE BENEFIT OBLIGATIONS (continued)

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

An actuarial valuation was completed as of March 31, 2019 and the College's obligation relating to these benefits includes:

| | | **2019** | | 2018 |
|---|---|---|---|---|
| NSGEU and non-union employees accrued benefit obligation | **$** | **17,897,767** | $ | 16,142,996 |
| Unamortized actuarial gain | | **2,978,523** | | 3,194,460 |
| Benefit obligation - NSGEU and non-union employees | **$** | **20,876,290** | $ | 19,337,456 |

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

| | | **2019** | | 2018 |
|---|---|---|---|---|
| Current period benefit costs | **$** | **1,471,328** | $ | 1,399,896 |
| Interest expense | | **410,956** | | 321,061 |
| Amortization of actuarial gain | | **(133,518)** | | (51,821) |
| Total expense related to the NSGEU and non-union employees | **$** | **1,748,766** | $ | 1,669,136 |

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

| | |
|---|---|
| Discount rate | 2.70% per annum (2018 – 2.45% 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 | 12 years (2018 – 10 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 $636,300 (2018 - $578,600).

### 12. EMPLOYEE FUTURE BENEFIT OBLIGATIONS (continued)

*Non-pension Retirement Benefits – NSTU (continued)*

Effective July 1, 2018, benefits for NSCC faculty and professional support staff formed a new union, NSCCAU, and their future benefits were transferred to a new NSCC Group Insurance and Benefits Plan (the "New Plan") funded by the Province of Nova Scotia. There was no substantive changes to the employees' entitlement under the New Plan. Current retirees and former NSTU staff that moved to management remain in the original post-retirement health benefits plan. As a result, an accrued benefit obligation of $29,381,500 and unamortized actuarial losses of $2,777,600 representing the obligations of transferred employees were derecognized. The net amount of $26,603,900 was recognized as a gain in the current period.

An actuarial valuation was completed as of March 31, 2019 and the College's obligation relating to these benefits includes:

| | **2019** | 2018 |
|---|---|---|
| NSTU accrued benefit obligation | **$ 29,644,300** | $ 54,874,800 |
| Unamortized actuarial loss | **(3,430,767)** | (3,987,100) |
| Benefit obligation - NSTU | **$ 26,213,533** | $ 50,887,700 |

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

| | **2019** | 2018 |
|---|---|---|
| Current period benefit costs | **1,115,600** | 2,567,500 |
| Interest expense | **1,146,200** | 1,781,800 |
| Amortization of actuarial loss | **304,233** | 339,400 |
| Total expense related to the NSTU obligation | **$ 2,566,033** | $ 4,688,700 |

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

| | |
|---|---|
| Discount rate | 3.29% per annum (2018 – 3.42% 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 (2018 – 12 years) |

## 12. EMPLOYEE FUTURE BENEFIT OBLIGATIONS (continued)

*Non-pension Retirement Benefits - NSCCAU*

Effective July 1, 2018, NSCCAU employees (formerly in NSTU) were transferred to the new NSCC Group Insurance and Benefits Plan from the Teachers' Retirement Health Benefits Plan (the Teacher's Plan). The new plan provides the same post-retirement benefits as the Teachers' Plan. This resulted in a prior period service cost of $35,868,900 as a result of members transferred from the NSTU plan.

The Province continues to assume responsibility for non-pension benefits of these employees for past and future service. As a result, a corresponding receivable that directly offsets the liability is recognized. 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 $30,500.

An actuarial valuation was completed as of March 31, 2019 and the College's obligation relating to these benefits includes:

| | **2019** | 2018 |
|---|---|---|
| NSCCAU accrued benefit obligation | **$ 39,172,000** | $ - |
| Unamortized actuarial loss | **(588,900)** | - |
| Benefit obligation - NSCCAU | **$ 38,583,100** | $ - |

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

| | **2019** | 2018 |
|---|---|---|
| Current period benefit costs | **$ 1,837,300** | $ - |
| Interest expense | **907,400** | - |
| Total expense related to the NSCCAU obligation | **$ 2,744,700** | $ - |

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

| | |
|---|---|
| Discount rate | 3.29% 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 | 10 years |

## 13. ACCRUED OBLIGATION FOR OTHER COMPENSATED ABSENCES

NSCCAU 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 used during the year were $482,360 (2018 - $451,064).

At March 31, 2019 the College's accrued obligation for other compensated absences costs and obligations consists of:

| | **2019** | 2018 |
|---|---|---|
| Accrued obligation for compensated absences | **$ 3,160,578** | $ 2,629,397 |
| Unamortized actuarial loss | **(1,540,996)** | (1,064,722) |
| Accrued benefit obligation for other compensated absences | **$ 1,619,582** | $ 1,564,675 |

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

| | **2019** | 2018 |
|---|---|---|
| Current period benefit costs | **$ 295,718** | $ 346,180 |
| Interest expense | **62,134** | 50,339 |
| Amortization of actuarial loss | **179,415** | 165,094 |
| Total expense related to the obligation | **$ 537,267** | $ 561,613 |

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

| | |
|---|---|
| Future salary increases | 3% per annum (2018 - 3% per annum) |
| Discount rate | 2.70% per annum (2018 – 2.45% per annum) |
| Retirement age | 50% of members who achieve eligibility for unreduced retirement under the rule of 85 prior to age 62 will retire when first eligible; remaining members retire as the earliest of age 65 with at least 2 years of service, 35 years of service or age 62 with at least 10 years of service. |
| EARSL | 11 years (2018 – 8 years) |

### 14. 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 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, 2019.

*(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, 2019, the College had cash of $42,361,136 (2018 - $38,168,315) and investments of $21,224,812 (2018 – $20,787,079), before considering Foundation investments. Management considers there is no significant liquidity risk as at March 31, 2019.

*(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 $2,000,000 (2018 - $1,300,000). A hypothetical increase of 10% in unit values would have an equal increase.

### 14. FINANCIAL INSTRUMENTS (continued)

*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/NSCCAU Future Health Benefits approximates fair value based on the actuarial valuation performed on non-pension retirement benefits – NSTU/NSCCAU (Note 12). 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).

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, 2019** | | March 31, 2018 | |
|---|---|---|---|---|
| | Fair Value | Cost | Fair Value | Cost |
| **Level 1** | | | | |
| Investments - Stock | **2,755,760** | **2,997,820** | | |
| **Level 2** | | | | |
| Cash | **$ 42,361,136** | **$ 42,361,136** | $ 38,168,315 | $ 38,168,315 |
| Investments - College | **21,224,812** | **21,224,812** | 20,787,079 | 20,787,079 |
| Investments - Foundation | **17,376,698** | **16,421,952** | 13,086,324 | 12,379,628 |
| Investments - Short Term | **-** | **-** | 266,145 | 266,145 |
| | **$ 83,718,406** | **$ 83,005,720** | $ 72,307,863 | $ 71,601,167 |

Included in investments are amounts related to endowment totaling a fair value of $17,376,698 (2018-$13,086,324) and a cost of $16,421,952 (2018-$12,645,774).

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

## 14. FINANCIAL INSTRUMENTS (continued)

*b) Gain from fund distribution*

During the year, the College received non-cash distributions on investments totaling $288,646 (2018 - $243,413). These distributions represent a distribution of units by the respective investments in lieu of cash.

## 15. COMMITMENTS

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

| | |
|---|---|
| 2020 | $ 1,545,731 |
| 2021 | 1,258,667 |
| 2022 | 862,631 |
| 2023 | 760,640 |
| 2024 | 352,776 |
| | $ 4,780,445 |

## 16. 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.

## 17. COMPARATIVE INFORMATION

The financial statements have been reclassified, where applicable, to conform to the presentation in the current year.