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Consolidated Financial Statements 2015

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**CONSOLIDATED FINANCIAL STATEMENTS**

2015



# 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, 2015, the consolidated statements of operations, change in net debt 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, 2015, and its consolidated results of operations, its consolidated changes in net debt, and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

*KPMG LLP*

Chartered Accountants  
June 18, 2015  
Halifax, Canada





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# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

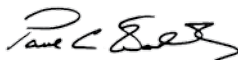
Year ended March 31, 2015, with comparative information for 2014

	2015	2014
<b>Financial assets</b>		
Cash (Note 15)	\$ 59,313,165	\$ 36,000,408
Investments (Note 15)	12,690,736	36,246,773
Accounts receivable (Note 3)	6,505,541	7,753,600
Provincial receivable - NSTU future health benefits (Note 13)	37,848,041	33,784,904
Inventory for resale	897,757	893,135
	<b>117,255,240</b>	<b>114,678,820</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	26,233,754	31,410,055
Deferred revenue - restricted funding (Note 5)	5,405,227	7,114,351
Deferred revenue related to tangible capital assets (Note 6)	1,330,867	1,774,489
Deferred revenue - Foundation (Note 7)	7,657,557	7,045,851
Employee future benefit obligations (Note 13)	67,761,338	60,706,322
Accrued obligation for other compensated absences (Note 14)	1,418,811	1,272,592
	<b>109,807,554</b>	<b>109,323,660</b>
<b>Net financial assets</b>	<b>7,447,686</b>	<b>5,355,160</b>
<b>Non-financial assets</b>		
Tangible capital assets (Note 4)	12,644,890	13,516,663
Prepaid expenses	597,344	1,047,263
	<b>13,242,234</b>	<b>14,563,926</b>
<b>Accumulated surplus (Note 10)</b>	<b>\$ 20,689,920</b>	<b>\$ 19,919,086</b>

Commitments (Note 16)

See accompanying notes to the consolidated financial statements

On behalf of the Board:



Paul L. Walter  
Chair



Don Bureaux  
President

## CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

Year ended March 31, 2015, with comparative information for 2014

	Budget	2015	2014
<b>Revenues</b>			
Labour and Advanced Education - core grant (Note 8)	\$ 135,634,000	<b>\$ 140,852,138</b>	\$ 138,956,844
Labour and Advanced Education - other	17,036,636	<b>18,059,759</b>	20,479,917
Tuition and fees	31,357,996	<b>31,796,579</b>	30,516,719
Contract training and service contracts	5,283,787	<b>4,817,101</b>	4,297,243
Other (Note 9)	13,752,949	<b>19,051,214</b>	20,976,069
Contributions received pertaining to tangible capital assets	550,000	<b>443,622</b>	443,622
	203,615,368	<b>215,020,413</b>	215,670,414
<b>Expenditures</b>			
Salaries and benefits	151,411,212	<b>155,738,105</b>	146,881,418
Operating supplies and services	26,437,126	<b>30,846,129</b>	36,487,341
Equipment, rentals and other administration	8,840,490	<b>11,375,383</b>	14,331,027
Utilities and maintenance	12,376,540	<b>11,569,363</b>	11,827,661
Amortization of tangible capital assets	4,550,000	<b>4,749,793</b>	5,013,716
	203,615,368	<b>214,278,773</b>	214,541,163
	-	<b>741,640</b>	1,129,251
Revenue from Foundation operations (net)	(82,500)	<b>29,194</b>	39,926
	(82,500)	<b>770,834</b>	1,169,177
Annual surplus	(82,500)	<b>770,834</b>	1,169,177
Accumulated surplus, beginning of year	19,919,086	<b>19,919,086</b>	18,749,909
<b>Accumulated surplus, end of year</b>	<b>\$ 19,836,586</b>	<b>\$ 20,689,920</b>	<b>\$ 19,919,086</b>

See accompanying notes to the consolidated financial statements



## CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS

Year ended March 31, 2015, with comparative information for 2014

	Budget	2015	2014
<b>Annual surplus</b>	\$ (82,500)	<b>\$ 770,834</b>	\$ 1,169,177
<b>Change in tangible capital assets</b>			
Acquisition of tangible capital assets	(1,500,000)	<b>(3,878,020)</b>	(10,054,849)
Amortization of tangible capital assets	4,550,000	<b>4,749,793</b>	5,013,716
Loss on disposal of tangible capital assets	-	-	2,667
	3,050,000	<b>871,773</b>	(5,038,466)
Net change in prepaid expenses	-	<b>449,919</b>	695,318
Increase (decrease) in net financial assets	2,967,500	<b>2,092,526</b>	(3,173,971)
Net financial assets, beginning of year	5,355,160	<b>5,355,160</b>	8,529,131
Net financial assets, end of year	\$ 8,322,660	<b>\$ 7,447,686</b>	\$ 5,355,160

See accompanying notes to the consolidated financial statements



## CONSOLIDATED STATEMENT OF CASH FLOWS

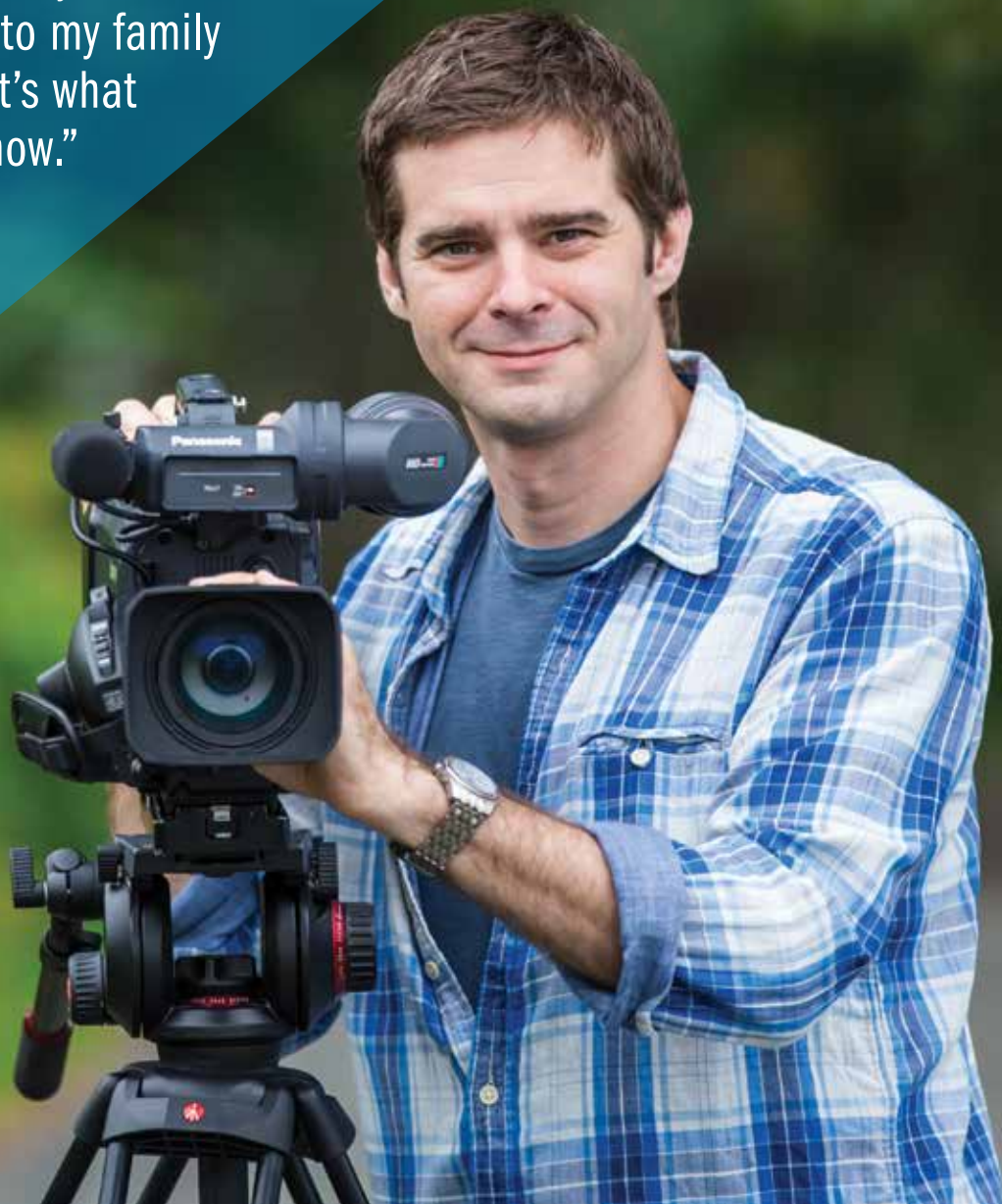
Year ended March 31, 2015, with comparative information for 2014

	2015	2014
<b>Operating transactions</b>		
Annual surplus	\$ 770,834	\$ 1,169,177
Adjustments for:		
Amortization of tangible capital assets	4,749,793	5,013,716
Amortization of deferred revenue related to tangible capital assets	(443,622)	(443,622)
Loss on disposal of tangible capital assets	-	2,667
Employee future benefit obligations	7,055,016	6,533,167
Provincial receivable - NSTU future health benefits	(4,063,137)	(3,296,536)
Contributions received related to tangible capital assets	-	2,218,111
Accrued obligation for other compensated absences	146,219	81,368
Gain on sale of investments	(448,257)	(40,704)
Unrealized loss (gain) on investments	171,700	(353,160)
Changes in non-cash working capital (Note 11)	(4,580,363)	5,731,644
	<b>3,358,183</b>	<b>16,615,828</b>
<b>Capital transactions</b>		
Purchase of tangible capital assets	(3,878,020)	(10,054,849)
	<b>(3,878,020)</b>	<b>(10,054,849)</b>
<b>Investing transactions</b>		
Proceeds on sale of investments	31,047,909	1,833,935
Purchase of investments	(7,215,315)	(33,015,568)
	<b>23,832,594</b>	<b>(31,181,633)</b>
Net increase (decrease) in cash	<b>23,312,757</b>	<b>(24,620,654)</b>
Cash, beginning of year	<b>36,000,408</b>	<b>60,621,062</b>
<b>Cash, end of year</b>	<b>\$ 59,313,165</b>	<b>\$ 36,000,408</b>

See accompanying notes to the consolidated financial statements

“To go out and uncover stories in my own backyard and come home to my family at night, that’s what excites me now.”

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2015, with comparative information for 2014

## 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.

### *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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### *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.

### *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.

## 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 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. 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.

### *Adoption of new accounting policy*

The College adopted Public Sector Accounting Board Standard PS 3260 Liability for Contaminated Sites effective April 1, 2014. Under PS 3260, contaminated sites are defined as the result of contamination being introduced in air, soil, water or sediment of a chemical, organic, or radioactive material or live organism that exceeds an environmental standard. This Standard relates to sites that are not in productive use and sites in productive use where an unexpected event resulted in contamination. The College adopted this standard on a retroactive basis and there were no adjustments as a result of the adoption of this standard.

### 3. ACCOUNTS RECEIVABLE

	<u>2015</u>	<u>2014</u>
Organizations	<b>\$ 4,042,446</b>	\$ 4,510,581
Student fees	<b>1,201,361</b>	1,030,795
Government funding	<b>689,166</b>	818,233
Foundation	<b>69,809</b>	1,890
Harmonized sales tax	<b>1,116,401</b>	1,932,001
Allowance for doubtful accounts	<b>(613,642)</b>	(539,900)
	<b>\$ 6,505,541</b>	\$ 7,753,600

### 4. TANGIBLE CAPITAL ASSETS

	<u>2015</u>			<u>2014</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Land	<b>\$ 1,232,981</b>	\$ -	<b>\$ 1,232,981</b>	\$ 836,809
Buildings	<b>340,158</b>	<b>32,250</b>	<b>307,908</b>	287,731
Computer equipment	<b>6,989,318</b>	<b>6,559,526</b>	<b>429,792</b>	632,802
Furniture and equipment	<b>35,991,560</b>	<b>28,666,574</b>	<b>7,324,986</b>	7,962,384
Leasehold improvements	<b>7,012,134</b>	<b>3,662,911</b>	<b>3,349,223</b>	3,796,937
	<b>\$ 51,566,151</b>	<b>\$ 38,921,261</b>	<b>\$ 12,644,890</b>	\$ 13,516,663

## 5. DEFERRED REVENUE – RESTRICTED FUNDING

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

	<u>2015</u>	<u>2014</u>
Apprenticeship	<b>\$ 795,662</b>	\$ 1,164,937
Applied research	<b>695,206</b>	1,653,937
Business development	<b>288,879</b>	504,909
Continuing education	<b>23,845</b>	71,807
Cost recovery programs	<b>797,865</b>	679,880
Disability resources	<b>708,201</b>	585,000
Other	<b>2,095,569</b>	2,453,881
	<b>\$ 5,405,227</b>	\$ 7,114,351

## 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:

	<u>2015</u>	<u>2014</u>
Deferred revenue - beginning balance	<b>\$ 1,774,489</b>	\$ -
Contribution received	-	2,218,111
Recognition of deferred contributions related to tangible capital assets	<b>(443,622)</b>	(443,622)
	<b>\$ 1,330,867</b>	\$ 1,774,489

## 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.

	<b>Restricted Fund</b>	<b>Endowment Fund</b>	<b>Total</b>
Balance - March 31, 2013	\$ 3,073,058	\$ 3,690,864	\$ 6,763,922
Contributions	570,553	131,382	701,935
Investment income	17,257	116,576	133,833
Unrealized gain on investments	-	353,160	353,160
Gain on sale of investments	-	40,704	40,704
Revenue recognized	(815,846)	(131,857)	(947,703)
Balance - March 31, 2014	\$ 2,845,022	\$ 4,200,829	\$ 7,045,851
Contributions	<b>358,847</b>	<b>359,072</b>	<b>717,919</b>
Investment income	<b>12,114</b>	<b>179,228</b>	<b>191,342</b>
Unrealized loss on investments	-	<b>(171,700)</b>	<b>(171,700)</b>
Gain (loss) on sale of investments	<b>(31)</b>	<b>448,288</b>	<b>448,257</b>
Revenue recognized	<b>(333,563)</b>	<b>(240,549)</b>	<b>(574,112)</b>
Balance - March 31, 2015	<b>\$ 2,882,389</b>	<b>\$ 4,775,168</b>	<b>\$ 7,657,557</b>

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

- The Foundation has investments of \$7,642,773 (2014 - \$6,246,773) related to externally restricted and endowment funds (Note 15).
- The portion of cash that is externally restricted and endowed is \$121,386 and \$102,257, respectively (2014 - \$593,974 and \$232,246, respectively).

## 8. LABOUR AND ADVANCED EDUCATION – CORE GRANT

	<u>2015</u>	<u>2014</u>
Funding received	\$ <b>136,368,000</b>	\$ 135,261,308
NSTU- future health benefits contribution (Note 13)	<b>4,484,138</b>	3,695,536
	<b>\$ 140,852,138</b>	\$ 138,956,844

## 9. OTHER REVENUE

	<u>2015</u>	<u>2014</u>
Bookstore revenue	\$ <b>4,929,192</b>	\$ 5,095,233
Food sales	<b>1,760,116</b>	1,675,481
Shop revenue	<b>274,995</b>	262,456
Interest	<b>842,656</b>	820,021
Recoveries	<b>2,572,583</b>	3,394,439
Capital recoveries	<b>1,146,652</b>	505,077
Applied research	<b>1,437,213</b>	1,069,599
Lodging, rent and miscellaneous	<b>6,087,807</b>	8,153,763
	<b>\$ 19,051,214</b>	\$ 20,976,069

## 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, scholarship, bursaries and awards in the amount of \$234,245 (2014 - \$219,165). The Board of the College has also restricted \$4,722,923 (2014 - \$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.

	<u>2015</u>	<u>2014</u>
Accumulated surplus - College operating	\$ <b>15,682,851</b>	\$ 14,941,211
Accumulated surplus - internally restricted for College development	<b>4,722,923</b>	4,722,923
Accumulated surplus - Foundation operating	<b>49,901</b>	35,787
Accumulated surplus - internally restricted Foundation	<b>234,245</b>	219,165
	<u>\$ <b>20,689,920</b></u>	<u>\$ 19,919,086</u>

During the year \$106,743 (2014 - \$90,010) of internally restricted contributions were recognized in revenue.



## 11. CHANGES IN NON-CASH WORKING CAPITAL

	<u>2015</u>	<u>2014</u>
Accounts receivable	<b>\$ 1,248,059</b>	\$ 14,411,499
Inventory for resale	<b>(4,622)</b>	(10,855)
Prepaid expenses	<b>449,919</b>	695,318
Accounts payable and accrued liabilities	<b>(5,176,301)</b>	(5,533,073)
Deferred revenue - restricted funding	<b>(1,709,124)</b>	(4,113,174)
Deferred revenue - Foundation	<b>611,706</b>	281,929
	<b>\$ (4,580,363)</b>	\$ 5,731,644

## 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. For this plan, the College matches employees' contributions calculated as follows: 8.4% (2014 - 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% (2014 - 10.9%) on the part of their salary that is in excess of YMPE. Under this plan, the College has recognized contributions of \$8,596,265 (2014 - \$8,310,806) 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. For this plan, the College matches employees' contributions calculated as follows: 9.3% (2014 - 8.3%) on the part of their salary that is equal to or less than the YMPE under the CPP and 10.9% (2014 - 9.9%) on the part of their salary that is in excess of YMPE. Under this plan, the College has recognized contributions of \$12,803,301 (2014 - \$11,920,797) for the year.

## 13. EMPLOYEE FUTURE BENEFIT OBLIGATIONS

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

	<u>2015</u>	<u>2014</u>
College service award	<b>\$ 12,832,301</b>	\$ 12,174,257
Non-pension retirement benefits – NSGEU and non-union employees	<b>17,080,996</b>	14,747,161
Non-pension retirement benefits – NSTU	<b>37,848,041</b>	33,784,904
	<b>\$ 67,761,338</b>	\$ 60,706,322

### *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. The benefits are paid from unrestricted cash. The benefits paid during the year were \$210,015 (2014 - \$160,008). An actuarial valuation was completed as of March 31, 2015 and the College’s obligation relating to these benefits includes:

	<u>2015</u>	<u>2014</u>
College service award accrued benefit obligation	<b>\$ 7,721,000</b>	\$ 7,919,000
Unamortized actuarial gain	<b>5,111,301</b>	4,255,257
Benefit obligation - College service award	<b>\$ 12,832,301</b>	\$ 12,174,257

## 13.

### EMPLOYEE FUTURE BENEFIT OBLIGATIONS (continued)

#### *College Service Award (continued)*

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

	<u>2015</u>	<u>2014</u>
Current period benefit costs	<b>\$ 1,164,000</b>	\$ 1,416,000
Interest expense	<b>167,920</b>	-
Amortization of actuarial gains	<b>(463,861)</b>	(299,680)
Total expense related to the obligation	<b>\$ 868,059</b>	\$ 1,116,320

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

Future salary increase	3% per annum (2014 - 4.5% per annum)
Discount rate	2% per annum (2014 - 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")	11 years (2014 - 11 years)

## 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 \$216,296 (2014 - \$228,765). An actuarial valuation was completed as of March 31, 2015 and the College's obligation relating to these benefits includes:

	<u>2015</u>	<u>2014</u>
NSGEU and non-union employees accrued benefit obligation	<b>\$ 16,983,812</b>	\$ 18,399,093
Unamortized actuarial gain (loss)	<b>97,184</b>	(3,651,932)
Benefit obligation - NSGEU and non-union employees	<b>\$ 17,080,996</b>	\$ 14,747,161

The total expense related to this benefits include the following components:

	<u>2015</u>	<u>2014</u>
Current period benefit costs	<b>\$ 1,665,282</b>	\$ 1,707,521
Interest expense	<b>382,472</b>	288,554
Amortization of actuarial loss	<b>502,377</b>	513,009
Total expense related to the NSGEU and non-union employees	<b>\$ 2,550,131</b>	\$ 2,509,084

## 13.

### EMPLOYEE FUTURE BENEFIT OBLIGATIONS (continued)

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

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

Discount rate	2% per annum (2014 - 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 of age 60, whichever is earlier
EARSL	11 years (2014 - 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 agreed to fund these obligations. As a result the College has recognized a receivable equal to the obligation 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 \$421,000 (2014 - \$399,000).

An actuarial valuation was completed as of March 31, 2015 and the College's obligation relating to these benefits includes:

	<u>2015</u>	<u>2014</u>
NSTU accrued benefit obligation	<b>\$ 42,703,020</b>	\$ 38,487,000
Unamortized actuarial loss	<b>(4,854,979)</b>	(4,702,096)
Benefit obligation - NSTU	<b>\$ 37,848,041</b>	\$ 33,784,904

## 13.

### EMPLOYEE FUTURE BENEFIT OBLIGATIONS (continued)

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

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

	<u>2015</u>	<u>2014</u>
Current period benefit costs	<b>\$ 2,326,000</b>	\$ 2,099,000
Interest expense	<b>1,617,020</b>	1,405,000
Amortization of actuarial loss	<b>541,118</b>	191,536
<b>Total expense related to the NSTU obligation</b>	<b>\$ 4,484,138</b>	<b>\$ 3,695,536</b>

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

Discount rate	4.1% per annum (2014 - 4.1% per annum)
Retirement age	50% at earliest age eligible for unreduced pension, the remainder at earlier of age 60 with 10 years of service, 35 years of service and age 65
EARSL	12 years (2014 – 13 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 \$239,816 (2014 - \$258,443).

At March 31, 2015, the College's accrued obligation for other compensated absences costs and obligations consists of:

	<u>2015</u>	<u>2014</u>
Accrued benefit obligation	<b>\$ 1,732,698</b>	\$ 1,808,577
Unamortized actuarial loss	<b>(313,887)</b>	(535,985)
Accrued obligation for other compensated absences	<b>\$ 1,418,811</b>	\$ 1,272,592

The total expense related to the accrued obligation for other compensated balances include the following components:

	<u>2015</u>	<u>2014</u>
Current period benefit costs	<b>\$ 283,686</b>	\$ 256,240
Interest expense	<b>36,610</b>	27,904
Amortization of actuarial loss	<b>65,739</b>	55,667
Total expense related to the obligation	<b>\$ 386,035</b>	\$ 339,811



## 14.

### ACCRUED OBLIGATION FOR OTHER COMPENSATED ABSENCES (continued)

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

Future salary increases	3% per annum (2014 - 4.5% per annum)
Discount rate	2% per annum (2014 - 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	9 years (2014 - 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:

#### **(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, 2015.

#### **(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, 2015, the College had cash of \$59,313,165 (2014 - \$36,000,408) and investments including \$5,047,963 (2014 - \$30,000,000) comprised of a cashable GIC bearing interest at 2.25% (2014 - 1.4%), maturing on June 9, 2015. This investment can be redeemed for cash at anytime without penalty.

## 15. FINANCIAL INSTRUMENTS (continued)

### a) Financial risk factors (continued)

#### (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 to 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 \$7,642,773 (2014 - \$6,246,773) are exposed to price risk.

The fixed income portfolio contains bonds with an average duration of 6 years. A 1% increase in interest rates would impact the value of the bond portfolio by approximately (6%). Bonds comprise about 36% of the investment portfolio, the impact would be (2.2%) to the investment value. 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 57% of the investment portfolio, a 2% increase in equity values would increase the portfolio by 1.1% or approximately \$50,600 on \$4.6 million market value in equities.

As at March 31, 2015, approximately 22% of the portfolio is directly exposed to foreign currency fluctuations of which approximately half 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 and Australian Dollar 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 \$148,000 decline in value which is a 1.9% 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.

## 15. 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 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).

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, 2015		March 31, 2014	
	Fair Value	Cost	Fair Value	Cost
<b>Level 2</b>				
Cash	\$ 59,313,165	\$ 59,313,165	\$ 36,000,408	\$ 36,000,408
Investments - College	5,047,963	5,047,963	30,000,000	30,000,000
Investments - Endowment Fund	7,642,773	7,268,606	6,246,773	5,700,906
	<b>\$ 72,003,901</b>	<b>\$ 71,629,734</b>	\$ 72,247,181	\$ 71,701,314

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

## 15. FINANCIAL INSTRUMENTS (continued)

### c) *Gain from fund distribution*

During the year the College received non-cash distributions on investments totaling \$111,140 (2014 - \$21,317). 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:

2016	\$ 1,755,933
2017	1,704,641
2018	1,477,153
2019	864,535
2020	683,270
	<hr/>
	\$ 6,485,532

## 17. COMPARATIVE INFORMATION

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

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