

Financial Statements of

NOVA SCOTIA COMMUNITY COLLEGE

March 31, 2007

Auditors' Report

To the Board of Governors of the
Nova Scotia Community College

We have audited the statement of financial position of the Nova Scotia Community College as at March 31, 2007 and the statements of revenue and expenditures, cash flows and changes in net assets for the year then ended. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the College as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP.

Chartered Accountants
Halifax, Nova Scotia
June 1, 2007

NOVA SCOTIA COMMUNITY COLLEGE

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NOVA SCOTIA COMMUNITY COLLEGE

Statement of Financial Position

March 31, 2007

	<u>2007</u>	<u>2006</u>
ASSETS		
Current		
Cash	\$ 28,674,159	\$ 17,791,972
Accounts receivable (Note 3)	19,532,933	15,608,400
Inventory	752,044	754,990
Prepays	254,096	802,500
	49,213,232	34,957,862
Capital assets (Note 4)	4,394,810	5,096,893
Foundation assets (Note 5)	2,323,720	1,556,674
Pensionable advance (Note 13)	555,557	595,120
	\$ 56,487,319	\$ 42,206,549
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 27,359,948	\$ 17,852,826
Deferred revenue (Note 6)	5,760,777	6,010,890
	33,120,725	23,863,716
Deferred revenue related to capital assets (Note 7)	3,012,738	3,688,438
Employee future benefit obligation (Note 16)	8,246,548	3,677,000
	44,380,011	31,229,154
Commitments (Note 14)		
NET ASSETS		
Invested in capital assets (Note 8)	1,382,072	1,408,455
Unrestricted	3,678,593	3,289,343
Restricted for Foundation purposes (Note 5)	2,323,720	1,556,674
Restricted for College development (Note 12)	4,722,923	4,722,923
	12,107,308	10,977,395
	\$ 56,487,319	\$ 42,206,549

ON BEHALF OF THE BOARD

..... Director

..... Director

NOVA SCOTIA COMMUNITY COLLEGE

Statement of Revenue and Expenditures

Year ended March 31, 2007

	<u>2007</u>	<u>2006</u>
Revenue		
Province of Nova Scotia (Note 9)	\$ 94,822,000	\$ 83,967,000
Government of Canada	9,050,000	9,050,000
Tuition and fees	18,393,940	18,190,350
Customized training	13,047,343	12,227,354
Amortization of deferred revenue related to capital assets	1,920,604	2,211,607
Other (Note 10)	20,349,790	18,795,823
	<u>\$ 157,583,677</u>	<u>\$ 144,442,134</u>
Expenditures		
Salaries and benefits	105,229,009	94,244,685
Operating supplies and services	28,079,706	26,345,037
Equipment, rentals and other administration	12,148,922	10,920,853
Utilities and maintenance	9,040,948	8,831,635
Amortization	2,722,225	3,879,163
	<u>157,220,810</u>	<u>144,221,373</u>
Excess of revenue over expenditures	<u>\$ 362,867</u>	<u>\$ 220,761</u>

NOVA SCOTIA COMMUNITY COLLEGE

Statement of Cash Flows

Year ended March 31, 2007

	<u>2007</u>	<u>2006</u>
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES		
Operating		
Excess of revenue over expenditures	\$ 362,867	\$ 220,761
Items not affect cash		
Amortization of deferred revenue related to capital assets	(1,920,604)	(2,211,607)
Amortization	2,722,225	3,879,163
Employee future benefit obligation	4,569,548	896,000
Changes in non-cash working capital items (Note 11)	5,883,826	(3,420,050)
	<u>11,617,862</u>	<u>(635,733)</u>
Investing		
Purchase of capital assets	(2,020,142)	(3,414,505)
Financing		
Pensionable advance	39,563	27,284
Contributions related to capital assets	1,244,904	1,787,989
	<u>1,284,467</u>	<u>1,815,273</u>
NET CASH INFLOW (OUTFLOW)	10,882,187	(2,234,965)
CASH POSITION, BEGINNING OF YEAR	17,791,972	20,026,937
CASH POSITION, END OF YEAR	\$ 28,674,159	\$ 17,791,972

NOVA SCOTIA COMMUNITY COLLEGE

Statement of Changes in Net Assets

Year ended March 31, 2007

	Invested in Capital Assets	Unrestricted	Restricted for Foundation Purposes (Note 5)	Restricted for College Development (Note 12)	2007 Total	2006 Total
Balance, beginning of year	\$ 1,408,455	\$ 3,289,343	\$ 1,556,674	\$ 4,722,923	\$ 10,977,395	\$ 10,294,257
Excess (deficiency) of revenue over expenditures	(801,621)	1,164,488	-	-	362,867	220,761
Investment in capital assets	775,238	(775,238)	-	-	-	-
Endowment contributions and interest	-	-	1,490,964	-	1,490,964	1,226,520
Endowment disbursements	-	-	(723,918)	-	(723,918)	(764,143)
Balance, end of year	\$ 1,382,072	\$ 3,678,593	\$ 2,323,720	\$ 4,722,923	\$ 12,107,308	\$ 10,977,395

NOVA SCOTIA COMMUNITY COLLEGE

Notes to the Financial Statements

March 31, 2007

1. OVERVIEW OF OPERATIONS

The Nova Scotia Community College (the “College”) was established as a post-secondary public education corporation under the authority of the Community College Act of Nova Scotia effective April 1, 1996.

The College, with thirteen campuses across the Province of Nova Scotia (the “Province”), is responsible for enhancing the economic and social well being of Nova Scotia by meeting the occupational training requirements of the population and the labour market.

The College has entered into a consent agreement with the Province that allows the College to construct facilities on land owned by the Province pursuant to the \$123 million multi-year infrastructure investment announced by the Province on March 28, 2003. The investment will provide newer facilities, more space and revamped learning and student life areas across the Province. Ownership of the buildings, including the new Metro Campus, will remain with the Province. Costs associated with the project will be managed by the College and flow through a liability account, which is subsequently reimbursed by the Province. The expenditures are netted against the funds receivable from the Province and have no effect on the statement of revenue and expenditures.

2. SIGNIFICANT ACCOUNTING POLICIES

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

Use of estimates

The preparation of financial information requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements as well as revenue and expenditures during the year. The accounts most subject to estimation and judgment include the allowance for doubtful accounts and accrued liabilities. Actual results may differ from those estimates.

Revenue recognition

The College follows the deferral method of accounting for revenue. Tuition fees, residence fees and sales are recognized when the services are provided or the goods are sold. Funding for expenditures of future periods are deferred and recognized as revenue in the year in which the related expenditure is incurred. Funding received for capital assets are deferred and recognized as revenue on the same basis as the acquired capital assets are amortized.

Cash

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

NOVA SCOTIA COMMUNITY COLLEGE

Notes to the Financial Statements

March 31, 2007

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital assets

Purchased capital assets are recorded at cost. Capital assets are amortized on a straight-line basis over the following estimated useful life:

Computer equipment	3 years
Furniture and equipment	5 years
Leasehold improvements	2 to 5 years

Land and buildings that are owned by the Province are not reflected in the assets of the College. Improvements made to these buildings are therefore expensed in the year. Improvements made to buildings with leases in place are capitalized and amortized over their useful life or the term of the lease, whichever is less.

Contributed services

The Province provides the College with buildings at thirteen campuses (in excess of two million square feet) and is responsible for the maintenance of the physical plant and building infrastructure, the benefit of which is not reflected in these financial statements because of the difficulty in determining the value.

Inventory

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

3. ACCOUNTS RECEIVABLE

	<u>2007</u>	<u>2006</u>
Organizations	\$ 2,770,954	\$ 2,335,765
Student fees	1,922,699	2,635,699
Government funding	3,576,250	6,306,125
Development Project	10,042,323	2,595,514
Other	1,014,512	1,653,200
Harmonized Sales Tax	870,406	1,008,218
Allowance for doubtful accounts	(664,211)	(926,121)
	<u>\$ 19,532,933</u>	<u>\$ 15,608,400</u>

NOVA SCOTIA COMMUNITY COLLEGE

Notes to the Financial Statements

March 31, 2007

4. CAPITAL ASSETS

	2007			2006
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer equipment	\$ 8,585,863	\$ 8,164,402	\$ 421,461	\$ 525,142
Furniture and equipment	14,115,195	10,699,511	3,415,684	3,490,800
Leasehold improvements	2,100,822	1,543,157	557,665	1,080,951
	\$ 24,801,880	\$ 20,407,070	\$ 4,394,810	\$ 5,096,893

5. FOUNDATION ASSETS

The Nova Scotia Community College Foundation (the "Foundation") is a non-profit organization controlled by the College. The assets represent donations and related interest restricted for scholarships, awards and other specified purposes. The Foundation works collaboratively with the College and the community to enhance the student experience by developing and implementing a framework to nurture support for current and future needs of the College.

The Foundation has not been consolidated in the College's financial statements. Financial statements of the Foundation are available upon request. Financial summaries as at March 31 and for the years then ended are as follows:

Nova Scotia Community College Foundation

	2007	2006
Results of operations		
Total revenue	\$ 1,490,964	\$ 1,226,520
Total expenditures	723,918	764,143
Excess of revenue over expenditures	\$ 767,046	\$ 462,377
Financial position		
Total assets	\$ 2,440,737	\$ 1,645,741
Less: Total liabilities	117,017	89,067
Total net assets	\$ 2,323,720	\$ 1,556,674

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

6. DEFERRED REVENUE

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

NOVA SCOTIA COMMUNITY COLLEGE

Notes to the Financial Statements

March 31, 2007

6. DEFERRED REVENUE (continued)

	<u>2007</u>	<u>2006</u>
Apprenticeship	\$ 893,981	\$ 554,682
Offshore operation	124,425	571,655
Skills development	452,953	720,000
Applied research	731,665	463,002
Customized training	1,998,152	2,134,591
Other	1,559,601	1,566,960
	<u>\$ 5,760,777</u>	<u>\$ 6,010,890</u>

7. DEFERRED REVENUE RELATED TO CAPITAL ASSETS

Deferred revenue related to capital assets represents the unamortized portion of funding received from the Province of Nova Scotia and other sources for capital asset additions. The deferred revenue is amortized into revenue at a rate corresponding with the amortization rate for the related capital asset. The changes in the deferred balance are as follows:

	<u>2007</u>	<u>2006</u>
Beginning balance	\$ 3,688,438	\$ 4,112,056
Contributions received	1,244,904	1,787,989
Amortization of deferred revenue related to capital assets	(1,920,604)	(2,211,607)
Ending balance	<u>\$ 3,012,738</u>	<u>\$ 3,688,438</u>

8. NET ASSETS INVESTED IN CAPITAL ASSETS

	<u>2007</u>	<u>2006</u>
Capital assets, net of amortization	\$ 4,394,810	\$ 5,096,893
Deferred revenue related to capital assets	(3,012,738)	(3,688,438)
	<u>\$ 1,382,072</u>	<u>\$ 1,408,455</u>

9. REVENUE – PROVINCE OF NOVA SCOTIA

	<u>2007</u>	<u>2006</u>
Funding received	\$ 95,822,000	\$ 84,967,000
Portion related to capital assets	(1,000,000)	(1,000,000)
	<u>\$ 94,822,000</u>	<u>\$ 83,967,000</u>

NOVA SCOTIA COMMUNITY COLLEGE

Notes to the Financial Statements

March 31, 2007

10. OTHER REVENUE

	<u>2007</u>	<u>2006</u>
Other revenue is summarized as follows:		
Bookstore revenue	\$ 4,060,775	\$ 3,977,034
Food sales	1,831,520	1,674,132
Apprenticeship/Shop	2,663,920	3,441,832
Interest	1,084,369	659,518
Recoveries	4,638,408	3,317,961
Applied research	1,136,910	1,285,212
Lodging, rent and miscellaneous	4,933,888	4,440,134
	<u>\$ 20,349,790</u>	<u>\$ 18,795,823</u>

11. CHANGES IN NON-CASH WORKING CAPITAL

	<u>2007</u>	<u>2006</u>
Accounts receivable	\$ (3,924,533)	\$ (1,496,776)
Inventory	2,946	(62,836)
Prepays	548,404	(313,831)
Accounts payable and accrued liabilities	9,507,122	(1,458,448)
Deferred revenue	(250,113)	(88,159)
	<u>\$ 5,883,826</u>	<u>\$ (3,420,050)</u>

12. RESTRICTED FOR COLLEGE DEVELOPMENT

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

13. PENSIONABLE ADVANCE

When the College took over the payroll function from the Province, it had to book a receivable, which represented a pay advance to staff. This was to account for the move from "paid to date" to "paid in arrears". This receivable was formerly held by the Province.

14. COMMITMENTS

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

2008	\$ 1,429,923
2009	1,008,395
2010	701,219
2011	621,458
2012	161,954
	<u>\$ 3,922,949</u>

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Notes to the Financial Statements

March 31, 2007

15. PENSION PLAN

The Nova Scotia Community College contributes to two defined benefit pension plans administered by the Province of Nova Scotia. The Province of Nova Scotia assumes the actuarial and investment risk associated with these plans. Accordingly, the College accounts for these pensions as defined contribution plans.

The College matches employees' contributions calculated as follows for the Nova Scotia Public Service Superannuation Plan: 6.4% (2006 – 6.4%) 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 8% (2006 – 8%) on the part of their salary that is excess of YMPE. Under this plan, the College has recognized contributions of \$4,591,898 (2006 - \$4,318,647) for the year.

The College matches employees' contributions calculated as follows for the Nova Scotia Teachers' Union Pension Plan: 8.3% (2006 – 8.3%) on the part of their salary that is equal to or less than the YMPE under the CPP and 9.9% (2006 – 9.9%) on the part of their salary that is excess of YMPE. Under this plan, the College has recognized contributions of \$8,361,276 (2006 - \$7,241,040) for the year.

16. EMPLOYEE FUTURE BENEFIT OBLIGATION

College Service Award

An employee hired on or after August 1, 1998 who retires because of age or mental or physical incapacity shall be granted a College Service Award (CSA) equal to 1% of the employee's annual salary for each year of continuous service to a maximum of 25 years. There are no employee contributions in respect of the plan. There is no distinct fund held in respect of the CSA benefits but sufficient cash is maintained to cover the obligation. The benefits are paid from unrestricted cash.

An actuarial evaluation was completed as of March 31, 2007 and the College's obligation relating to these benefits was approximately \$4,535,000 (2006 - \$3,677,000). The benefit expense was \$1,044,236 (2006 - \$888,308). The benefits paid were \$29,229 (2006 - \$3,067). The next actuarial evaluation is scheduled for March 31, 2008.

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

Future salary increase	6% per annum
Expected rate of return	0% per annum
Discount rate	0% per annum
Retirement age	20% upon attainment of age 55 and 80 points (age plus service); the remainder at 35 years of service or age 60, whichever is earlier

Non-pension Retirement Benefits

During the year, the Province required the College to assume the future liability for the non-pension retirement benefits for the College's non-teaching staff. There are no employee contributions in respect of the plan. There is no distinct fund held in respect of the benefits but sufficient cash is maintained to cover the obligation. The benefits are paid from unrestricted cash.

NOVA SCOTIA COMMUNITY COLLEGE

Notes to the Financial Statements

March 31, 2007

16. EMPLOYEE FUTURE BENEFIT OBLIGATION (continued)

Non-pension Retirement Benefits (continued)

An actuarial evaluation was completed as of March 31, 2007 and the College's obligation relating to these benefits was \$3,711,548. The benefit expense was \$474,009. The benefits paid were \$90,480. The next actuarial evaluation is scheduled for March 31, 2008.

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

Expected rate of return	0% per annum
Discount rate	5.25% per annum
Retirement age	20% upon attainment of age 55 and 80 points (age plus service); the remainder at 35 years of service or age 60, whichever is earlier

17. FINANCIAL INSTRUMENTS

Fair value

The College evaluated the fair values of its financial instruments based on the current interest rate environment, related market values and current pricing of financial instruments with comparable terms. The carrying values are considered to approximate fair values.

Credit risk

The College performs a continuous evaluation of its accounts receivable and records an allowance for doubtful accounts as required. Management considers there is no significant credit risk as at March 31, 2007.