

Financial Statements of

NOVA SCOTIA COMMUNITY COLLEGE

March 31, 2010

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 (the "College") as at March 31, 2010 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, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants
Halifax, Nova Scotia
May 31, 2010

NOVA SCOTIA COMMUNITY COLLEGE

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NOVA SCOTIA COMMUNITY COLLEGE
Statement of Financial Position
March 31, 2010

	<u>2010</u>	<u>2009</u>
ASSETS		
Current		
Cash	\$ 36,028,138	\$ 31,647,231
Accounts receivable (Note 4)	25,197,229	21,762,711
Inventory	840,383	914,415
Prepays	1,157,358	1,653,902
	63,223,108	55,978,259
Capital assets (Note 5)	8,394,378	5,685,446
Foundation assets (Note 6)	5,482,930	4,201,588
Provincial Receivable - Future Health Benefits (Note 16)	22,303,684	20,328,071
	\$ 99,404,100	\$ 86,193,364
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 32,455,338	\$ 25,360,212
Deferred revenue (Note 7)	8,640,825	8,763,497
	41,096,163	34,123,709
Deferred revenue related to capital assets (Note 8)	3,342,202	2,420,713
Employee future benefit obligation (Note 16)	38,875,120	35,014,203
	83,313,485	71,558,625
Commitments (Note 14)		
NET ASSETS		
Invested in capital assets (Note 9)	5,052,176	3,264,733
Unrestricted	832,586	2,445,495
Restricted for Foundation purposes (Note 6)	5,482,930	4,201,588
Restricted for College development (Note 13)	4,722,923	4,722,923
	16,090,615	14,634,739
	\$ 99,404,100	\$ 86,193,364

ON BEHALF OF THE BOARD

..... Director

..... Director

NOVA SCOTIA COMMUNITY COLLEGE

Statement of Revenue and Expenditures

Year ended March 31, 2010

	<u>2010</u>	<u>2009</u>
Revenue		
Department of Education (Note 10)	\$ 122,119,787	\$ 115,712,266
Labour and Workforce Development	17,336,768	15,094,662
Tuition and fees	28,339,920	24,953,800
Customized training	9,147,848	9,418,765
Amortization of deferred revenue related to capital assets	1,877,171	1,772,863
Other (Note 11)	20,762,388	18,488,763
	<u>\$ 199,583,882</u>	<u>\$ 185,441,119</u>
Expenditures		
Salaries and benefits	133,478,884	125,939,841
Operating supplies and services	35,098,748	28,323,722
Equipment, rentals and other administration	15,464,835	14,954,491
Utilities and maintenance	11,968,541	13,227,019
Amortization	3,398,340	2,700,118
	<u>199,409,348</u>	<u>185,145,191</u>
Excess of revenue over expenditures	<u>\$ 174,534</u>	<u>\$ 295,928</u>

NOVA SCOTIA COMMUNITY COLLEGE

Statement of Cash Flows

Year ended March 31, 2010

	<u>2010</u>	<u>2009</u>
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES		
Operating		
Excess of revenue over expenditures	\$ 174,534	\$ 295,928
Items not affecting cash:		
Amortization of deferred revenue related to capital assets	(1,877,171)	(1,772,863)
Amortization	3,398,340	2,700,118
Employee future benefit obligation	3,860,917	5,743,765
Long-term receivable - Province of Nova Scotia	(1,975,613)	(1,970,266)
Changes in non-cash working capital items (Note 12)	4,108,512	(3,882,875)
	<u>7,689,519</u>	<u>1,113,807</u>
Investing		
Purchase of capital assets	(6,107,272)	(4,510,313)
Financing		
Contributions related to capital assets	2,798,660	1,709,269
NET CASH INFLOW (OUTFLOW)	4,380,907	(1,687,237)
CASH POSITION, BEGINNING OF YEAR	31,647,231	33,334,468
CASH POSITION, END OF YEAR	\$ 36,028,138	\$ 31,647,231

NOVA SCOTIA COMMUNITY COLLEGE

Statement of Changes in Net Assets

Year ended March 31, 2010

	Invested in Capital Assets (Note 9)	Unrestricted	Restricted for Foundation Purposes (Note 6)	Restricted for College Development (Note 13)	2010 Total	2009 Total
Balance, beginning of year	\$ 3,264,733	\$ 2,445,495	\$ 4,201,588	\$ 4,722,923	\$ 14,634,739	\$ 13,780,914
Excess (deficiency) of revenue over expenditures	(1,521,169)	1,695,703	-	-	174,534	295,928
Investment in capital assets	3,308,612	(3,308,612)	-	-	-	-
Endowment contributions and interest	-	-	2,163,411	-	2,163,411	1,687,601
Endowment disbursements	-	-	(882,069)	-	(882,069)	(1,129,704)
Balance, end of year	\$ 5,052,176	\$ 832,586	\$ 5,482,930	\$ 4,722,923	\$ 16,090,615	\$ 14,634,739

NOVA SCOTIA COMMUNITY COLLEGE

Notes to the Financial Statements

March 31, 2010

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 Dartmouth Waterfront 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. CHANGES IN ACCOUNTING POLICIES

Effective April 1, 2009, the College adopted the following recommendations of the Canadian Institute of Chartered Accountants (“CICA”) for the year-ended March 31, 2010: Section 1540, *Cash Flow Statements*, Section 4400, *Financial Statement Presentation by Not-for-profit Organizations*, Section 4460, *Disclosure of Related Party Transactions by Not-for-profit Organizations* and Section 4470, *Disclosure of Allocated Expenses by Not-for-profit Organizations*. The adoption of these new standards had no impact of the College’s financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

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

Cash

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

Financial instruments

Not-for-profit organizations may elect not to adopt the requirements of Sections 3862, *Financial Instruments – Disclosures* and 3863, *Financial Instruments – Presentation* and instead may apply the guidance in Section 3861, *Financial Instruments – Disclosure and Presentation*. The College has elected to use this exemption. Also, as allowed by Section 3855, *Financial Instruments – Recognition*, the College has elected not to record embedded derivatives in host contracts and contracts to buy or sell non-financial items that meet the definition of a derivative, at fair value.

NOVA SCOTIA COMMUNITY COLLEGE

Notes to the Financial Statements

March 31, 2010

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. Their classification depends on the purpose, for which the financial instruments were acquired or issued, their characteristics and the College's designation of such instruments. Settlement date accounting is used.

<u>Assets and liabilities</u>	<u>Classification</u>	<u>Measurement</u>
Cash	Held for trading	Fair value
Provincial receivable - Future health Benefits	Loans and receivables	Amortized cost
Accounts receivable	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other liabilities	Amortized cost

Capital assets

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 10 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.

Inventory

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

Revenue recognition

The College 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.

Employee 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.

NOVA SCOTIA COMMUNITY COLLEGE

Notes to the Financial Statements

March 31, 2010

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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, amortization periods for capital assets, employee future benefits, and certain accrued liabilities. Actual results may differ from those estimates.

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 fair value.

4. ACCOUNTS RECEIVABLE

	<u>2010</u>	<u>2009</u>
Organizations	\$ 5,934,577	\$ 2,982,508
Student fees	636,525	389,572
Government funding	3,212,298	12,616,876
Development Project	2,027,678	4,136,854
Knowledge Infrastructure Project	11,122,999	-
Other	1,658,697	581,987
Harmonized Sales Tax	1,461,088	1,489,278
Allowance for doubtful accounts	(856,633)	(434,364)
	<u>\$ 25,197,229</u>	<u>\$ 21,762,711</u>

Included in accounts receivable is \$409,109 (2009 - \$34,808) due from the Nova Scotia Community College Foundation (the "Foundation").

5. CAPITAL ASSETS

	<u>2010</u>			<u>2009</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Land	\$ 247,063	\$ -	\$ 247,063	\$ -
Computer equipment	7,707,822	6,856,950	850,872	699,284
Furniture and equipment	20,718,779	15,064,688	5,654,091	3,146,981
Leasehold improvements	3,822,391	2,180,039	1,642,352	1,839,181
Management information systems	6,197,789	6,197,789	-	-
	<u>\$ 38,693,844</u>	<u>\$ 30,299,466</u>	<u>\$ 8,394,378</u>	<u>\$ 5,685,446</u>

NOVA SCOTIA COMMUNITY COLLEGE

Notes to the Financial Statements

March 31, 2010

6. FOUNDATION ASSETS

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

	<u>2010</u>	<u>2009</u>
Results of operations		
Total revenue	\$ 2,163,411	\$ 1,687,601
Total expenditures	882,069	1,129,704
Excess of revenue over expenditures	<u>\$ 1,281,342</u>	<u>\$ 557,897</u>
Financial position		
Total assets	\$ 5,899,366	\$ 4,289,652
Less: Total liabilities	416,436	88,064
Total net assets	<u>\$ 5,482,930</u>	<u>\$ 4,201,588</u>

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

7. DEFERRED REVENUE

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

	<u>2010</u>	<u>2009</u>
Apprenticeship	\$ 679,085	\$ 1,100,000
Skills development	667,578	1,345,182
Applied research	511,900	551,575
Customized training	927,568	837,795
Cost Recovery Programs	918,850	1,027,345
Disability resources	1,154,773	875,472
Links programs	197,179	439,855
Other	3,583,892	2,586,273
	<u>\$ 8,640,825</u>	<u>\$ 8,763,497</u>

NOVA SCOTIA COMMUNITY COLLEGE

Notes to the Financial Statements

March 31, 2010

8. 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>2010</u>	<u>2009</u>
Beginning balance	\$ 2,420,713	\$ 2,484,307
Contributions received	2,798,660	1,709,269
Amortization of deferred revenue related to capital assets	<u>(1,877,171)</u>	<u>(1,772,863)</u>
Ending balance	<u>\$ 3,342,202</u>	<u>\$ 2,420,713</u>

9. NET ASSETS INVESTED IN CAPITAL ASSETS

	<u>2010</u>	<u>2009</u>
Capital assets, net of accumulated amortization	\$ 8,394,378	\$ 5,685,446
Deferred revenue related to capital assets	<u>(3,342,202)</u>	<u>(2,420,713)</u>
	<u>\$ 5,052,176</u>	<u>\$ 3,264,733</u>

10. REVENUE – DEPARTMENT OF EDUCATION

	<u>2010</u>	<u>2009</u>
Funding received	\$ 123,119,787	\$ 116,712,266
Portion related to capital assets	<u>(1,000,000)</u>	<u>(1,000,000)</u>
	<u>\$ 122,119,787</u>	<u>\$ 115,712,266</u>

11. OTHER REVENUE

	<u>2010</u>	<u>2009</u>
Other revenue is summarized as follows:		
Bookstore revenue	\$ 5,112,776	\$ 4,599,145
Food sales	1,995,914	1,945,454
Shop revenues	258,515	227,017
Interest	145,579	863,347
Recoveries	4,853,469	4,443,530
Applied research	1,247,055	1,151,107
Lodging, rent and miscellaneous	7,149,080	5,259,163
	<u>\$ 20,762,388</u>	<u>\$ 18,488,763</u>

NOVA SCOTIA COMMUNITY COLLEGE

Notes to the Financial Statements

March 31, 2010

12. CHANGES IN NON-CASH WORKING CAPITAL

	<u>2010</u>	<u>2009</u>
Accounts receivable	\$ (3,434,518)	\$ (7,650,965)
Inventory	74,032	(41,693)
Prepays	496,544	(1,144,373)
Accounts payable and accrued liabilities	7,095,126	2,940,730
Deferred revenue	(122,672)	2,013,426
	<u>\$ 4,108,512</u>	<u>\$ (3,882,875)</u>

13. 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.

14. COMMITMENTS

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

2011	\$ 1,263,927
2012	909,364
2013	546,441
2014	402,860
2015	354,715
	<u>\$ 3,477,307</u>

15. PENSION PLANS

The Nova Scotia Community College contributes to two defined benefit pension plans administered by the Province of Nova Scotia. The College accounts for these pensions as defined contribution plans.

In the first plan, the Nova Scotia Public Service Superannuation Plan, the Province of Nova Scotia assumes the actuarial and investment risk. For this plan, the College matches employees' contributions calculated as follows: 8.4% (2009 - 7.4%) 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% (2009 - 9.6%) on the part of their salary that is in excess of YMPE. Under this plan, the College has recognized contributions of \$7,461,798 (2009 - \$6,388,634) 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: 8.3% (2009 - 8.3%) on the part of their salary that is equal to or less than the YMPE under the CPP and 9.9% (2009 - 9.9%) on the part of their salary that is in excess of YMPE. Under this plan, the College has recognized contributions of \$10,630,616 (2009 - \$9,560,242) for the year.

NOVA SCOTIA COMMUNITY COLLEGE

Notes to the Financial Statements

March 31, 2010

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 valuation was completed as of March 31, 2010 and the College's obligation relating to these benefits was approximately \$6,588,000 (2009 - \$6,248,000). The benefit expense was \$1,199,623 (2009 - \$1,269,056). The benefits paid were \$12,539 (2009 - \$39,823). The next actuarial valuation is scheduled for March 31, 2011.

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

Future salary increase	5% per annum (prior 6% 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 - NSGEU

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.

In 2008/2009, the College decided to create a separate fund that would be held in respect of the non-pension retirement benefits. This fund has sufficient cash to cover the obligations associated with this liability.

An actuarial valuation was completed as of March 31, 2010 and the College's obligation relating to these benefits was \$9,983,436 (2009 - \$8,438,132). The benefit expense was \$1,390,621 (2009 - \$723,155). The benefits paid were \$127,725 (2009 - \$103,043). The next actuarial valuation is scheduled for March 31, 2011.

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

Expected rate of return	0.80% per annum
Discount rate	2.0% 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

NOVA SCOTIA COMMUNITY COLLEGE

Notes to the Financial Statements

March 31, 2010

16. EMPLOYEE FUTURE BENEFIT OBLIGATION (continued)

Non-pension Retirement Benefits - NSTU

In 2007/2008, the Province decided to transfer to the College the future liability for the non-pension retirement benefits for the College's teaching and professional support staff. The Province also transferred a corresponding receivable that directly offsets the liability.

There is no impact on the excess of revenue over expenditures or net financial position of the College as a result of the transfers.

An actuarial valuation was completed as of March 31, 2010 and the College's obligation relating to these benefits was \$22,303,684 (2009 – \$20,328,071). The benefit expense was \$1,286,000 (2009 - \$1,192,000). The benefits paid were \$287,000 (2009 - \$251,000). The next actuarial valuation is scheduled for March 31, 2011.

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

Expected rate of return	4.75% per annum
Discount rate	4.75% per annum
Retirement age	60% 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

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 of cash, accounts receivable 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 – Future Health Benefits approximates fair value based on the actuarial valuation performed on non-pension retirement benefits – NSTU (Note 16).

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 balance sheet 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, 2010.

NOVA SCOTIA COMMUNITY COLLEGE

Notes to the Financial Statements

March 31, 2010

18. CAPITAL MANAGEMENT

The College's objectives when managing capital are to maintain a capital structure that provides financial flexibility in order to preserve its ability to meet financial obligations. In managing its capital structure, the College monitors performance throughout the year to ensure working capital requirements and capital expenditures are funded from operations. The College will make adjustments to its capital structure to meet the objectives of the broader strategy or in response to changes in economic conditions and risk.

19. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year financial statement presentation.