

CONSOLIDATED FINANCIAL STATEMENTS 2017

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CONSOLIDATED FINANCIAL STATEMENTS

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, 2017, the consolidated statements of operations and accumulated surplus, change in net financial assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the

assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Nova Scotia Community College as at March 31, 2017, and its consolidated results of operations, its consolidated changes in net financial assets, and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Professional Accountants,
Licensed Public Accountants
June 22, 2017
Halifax, Canada



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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

March 31, 2017, with comparative information for 2016

	2017	2016
Financial assets		
Cash (Note 15)	\$ 51,658,976	\$ 62,491,984
Investments (Note 15)	30,640,247	8,174,905
Accounts receivable (Note 3)	15,853,139	14,831,537
Provincial receivable - NSTU future health benefits (Note 13)	46,777,600	41,972,115
Inventory for resale	926,695	838,036
	145,856,657	128,308,577
Liabilities		
Accounts payable and accrued liabilities	36,856,023	29,522,778
Deferred revenue - restricted funding (Note 5)	7,361,119	7,164,764
Deferred revenue related to tangible capital assets (Note 6)	443,623	887,245
Deferred revenue - Foundation (Note 7)	10,322,120	7,964,631
Employee future benefit obligations (Note 13)	72,148,470	66,369,990
Accrued obligation for other compensated absences (Note 14)	1,454,126	1,412,767
	128,585,481	113,322,175
Net financial assets	17,271,176	14,986,402
Non-financial assets		
Tangible capital assets (Note 4)	10,332,106	11,466,021
Prepaid expenses	720,709	1,588,468
	11,052,815	13,054,489
Accumulated surplus (Note 10)	\$ 28,323,991	\$ 28,040,891

Commitments (Note 16)

See accompanying notes to the consolidated financial statements

On behalf of the Board:



David P. Saxton - Chair



Don Bureaux - President

CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

Year ended March 31, 2017, with comparative information for 2016

	Budget	2017	2016
Revenues			
Labour and Advanced Education - core grant (Note 8)	\$ 137,757,000	\$ 143,081,700	\$ 141,407,275
Labour and Advanced Education - other	17,080,102	17,341,759	17,089,202
Tuition and fees	33,574,860	35,295,743	34,288,776
Contract training and service contracts	5,590,509	3,770,453	4,910,072
Other (Note 9)	14,028,764	22,190,201	19,832,511
Contributions received pertaining to tangible capital assets	443,622	443,622	443,622
	208,474,857	222,123,478	217,971,458
Expenditures			
Salaries and benefits	155,908,330	160,761,180	152,431,895
Operating supplies and services	28,542,630	33,940,403	34,168,484
Equipment, rentals and other administration	8,691,001	11,984,835	13,543,866
Utilities and maintenance	10,782,896	10,625,407	10,758,278
Amortization of tangible capital assets	4,550,000	4,535,646	4,772,713
	208,474,857	221,847,471	215,675,236
Annual surplus before the undernoted	-	276,007	2,296,222
Net revenue (expense) from Foundation operations	94,500	7,093	(56,552)
Gain on benefit plan curtailment (Note 13)	-	-	5,111,301
Annual surplus	94,500	283,100	7,350,971
Accumulated surplus, beginning of year	28,040,891	28,040,891	20,689,920
Accumulated surplus, end of year	\$ 28,135,391	\$ 28,323,991	\$ 28,040,891

See accompanying notes to the consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGE

IN NET FINANCIAL ASSETS

Year ended March 31, 2017, with comparative information for 2016

	Budget	2017	2016
Annual surplus	\$ 94,500	\$ 283,100	\$ 7,350,971
Change in tangible capital assets			
Acquisition of tangible capital assets	(2,000,000)	(3,404,170)	(3,598,153)
Amortization of tangible capital assets	4,550,000	4,535,646	4,772,713
Loss on disposal of tangible capital assets	-	2,439	4,309
	2,550,000	1,133,915	1,178,869
Net change in prepaid expenses	-	867,759	(991,124)
Increase in net financial assets	2,644,500	2,284,774	7,538,716
Net financial assets, beginning of year	14,986,402	14,986,402	7,447,686
Net financial assets, end of year	\$ 17,630,902	\$ 17,271,176	\$ 14,986,402

See accompanying notes to the consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended March 31, 2017, with comparative information for 2016

	2017	2016
Operating transactions		
Annual surplus	\$ 283,100	\$ 7,350,971
Adjustments for:		
Amortization of tangible capital assets	4,535,646	4,772,713
Amortization of deferred revenue related to tangible capital assets	(443,622)	(443,622)
Loss on disposal of tangible capital assets	2,439	4,309
Employee future benefit obligations	5,778,480	(1,391,348)
Provincial receivable - NSTU future health benefits	(4,805,485)	(4,124,074)
Accrued obligation for other compensated absences	41,359	(6,044)
Gain on sale of investments	(319,740)	(478,945)
Gain from fund distributions	(33,486)	-
Unrealized (gain) loss on investments	(727,953)	1,071,109
Changes in non-cash working capital (Note 11)	9,644,587	(3,901,764)
	13,955,325	2,853,305
Capital transactions		
Purchase of tangible capital assets	(3,404,170)	(3,598,153)
	(3,404,170)	(3,598,153)
Investing transactions		
Proceeds on sale of investments	734,615	7,477,963
Purchase of investments	(22,118,778)	(3,554,296)
	(21,384,163)	3,923,667
Net (decrease) increase in cash	(10,833,008)	3,178,819
Cash, beginning of year	62,491,984	59,313,165
Cash, end of year	\$ 51,658,976	\$ 62,491,984

See accompanying notes to the consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2017, with comparative information for 2016

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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2017, with comparative information for 2016

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 and Accumulated Surplus.

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the Statement of Operations and Accumulated Surplus and any unrealized gain is adjusted through the Statement of Remeasurement Gains and Losses.

The College does not have unrealized gains or losses related to unrestricted investments nor unrealized foreign exchange gains or losses and therefore has not presented a Statement of Remeasurement Gains and Losses.

Tangible capital assets

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

Computer equipment	3 years
Furniture and equipment	5 years
Leasehold improvements	2 to 10 years
Buildings	20 years

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

Impairment of long-lived assets

Long-lived assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair value.

Inventory for resale

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2017, with comparative information for 2016

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.

Employee future benefit obligations

The College provides a service award to eligible employees who retire based on a percentage of compensation and years of service earned up until April 1, 2015. Effective April 1, 2015 the College Service Award was effectively frozen, consistent with the Public Services Sustainability Act. The plan is frozen in terms of service earned, however, salary will continue to accrue consistently with the terms of the expired collective agreements and the non-bargaining unit employees. This award is paid to eligible employees in the year of retirement.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2017, with comparative information for 2016

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

The College accrues its benefit liabilities under the above noted plans as the employees render the services necessary to earn the future benefits. The cost of post-retirement benefits earned by employees is actuarially determined using the projected unit method pro-rated on service and management's best estimate of salary escalation, retirement ages of employees and expected health care costs.

Accrued obligation for other compensated absences

NSTU Employees of the College are entitled to sick-pay benefits which accumulate but do not vest. In accordance with PSAS for post-employment benefits and compensated absences, the College recognizes the liability for accumulative sick-pay benefits in the period in which the employee renders service.

Use of estimates

The preparation of financial statements in conformity with Canadian PSAS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant areas requiring the use of management estimates include the allowance for doubtful accounts, amortization periods for tangible capital assets and deferred revenue, employee future benefits, and certain accrued liabilities. Actual results could differ from those estimates.

3. ACCOUNTS RECEIVABLE

	2017	2016
Organizations	\$ 6,287,063	\$ 3,788,339
Student fees	1,231,982	1,194,231
Government funding	7,797,043	8,785,718
Harmonized sales tax	1,330,725	1,663,915
Allowance for doubtful accounts	(793,674)	(600,666)
	\$ 15,853,139	\$ 14,831,537

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2017, with comparative information for 2016

4. TANGIBLE CAPITAL ASSETS

	2017			2016
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ 1,244,123	\$ -	\$ 1,244,123	\$ 1,232,981
Buildings	382,804	69,412	313,392	298,784
Computer equipment	8,018,934	7,525,393	493,541	514,543
Furniture and equipment	40,669,983	34,856,366	5,813,617	6,143,618
Leasehold improvements	8,029,299	5,561,866	2,467,433	3,276,095
	\$ 58,345,143	\$ 48,013,037	\$ 10,332,106	\$ 11,466,021

5. DEFERRED REVENUE - RESTRICTED FUNDING

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

	2017	2016
Apprenticeship	\$ 561,537	\$ 1,004,068
Applied research	1,150,233	674,298
Business development	467,524	390,272
Continuing education	145,441	24,235
Cost recovery programs	655,975	765,262
Disability resources	760,037	791,576
Other	3,620,372	3,515,053
	\$ 7,361,119	\$ 7,164,764

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2017, with comparative information for 2016

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:

	2017	2016
Deferred revenue - beginning balance	\$ 887,245	\$ 1,330,867
Recognition of deferred contributions related to tangible capital assets	(443,622)	(443,622)
	\$ 443,623	\$ 887,245

7. DEFERRED REVENUE - FOUNDATION

The Foundation's deferred contributions includes amounts received from donors and funders that have been restricted or endowed for scholarships, bursaries, projects and other program expenditures that will occur in the future. The terms of these external restrictions and endowments also restrict the use of net investment income earned on these funds.

	Restricted Fund	Endowment Fund	Total
Balance, March 31, 2015	\$ 2,882,389	\$ 4,775,168	\$ 7,657,557
Contributions	479,807	1,283,939	1,763,746
Investment income	76,061	155,110	231,171
Unrealized loss on investments	(396,766)	(674,343)	(1,071,109)
Gain on sale of investments	155,887	322,511	478,398
Revenue recognized	(668,733)	(426,399)	(1,095,132)
Balance, March 31, 2016	\$ 2,528,645	\$ 5,435,986	\$ 7,964,631
Contributions	846,643	1,334,362	2,181,005
Investment income	42,494	150,376	192,870
Unrealized gain on investments	170,744	557,209	727,953
Gain on sale of investments	85,742	268,113	353,855
Revenue recognized	(742,747)	(355,447)	(1,098,194)
Balance, March 31, 2017	\$ 2,931,521	\$ 7,390,599	\$ 10,322,120

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2017, with comparative information for 2016

7. DEFERRED REVENUE - FOUNDATION (continued)

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

- The Foundation has investments of \$10,137,549 (2016 - \$8,174,905) related to externally restricted and endowment funds (Note 15).

8. LABOUR AND ADVANCED EDUCATION - CORE GRANT

	2017	2016
Funding received	\$ 137,797,000	\$ 136,744,002
NSTU - future health benefits contribution (Note 13)	5,284,700	4,663,273
	\$ 143,081,700	\$ 141,407,275

9. OTHER REVENUE

	2017	2016
Bookstore revenue	\$ 4,998,143	\$ 5,095,622
Food sales	1,848,681	1,824,836
Shop revenue	280,623	269,549
Interest	922,595	814,256
Recoveries	2,703,565	2,373,335
Capital recoveries	601,001	32,680
Applied research	2,530,636	1,992,115
Lodging, rent and miscellaneous	8,304,957	7,430,118
	\$ 22,190,201	\$ 19,832,511

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2017, with comparative information for 2016

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, scholarships, bursaries and awards in the amount of \$120,324 (2016 - \$139,290). The Board of the College has also restricted \$4,722,923 (2016 - \$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.

	2017	2016
Accumulated surplus - College operating	\$ 23,366,381	\$ 23,090,374
Accumulated surplus - internally restricted for College development	4,722,923	4,722,923
Accumulated surplus - Foundation other	114,363	88,304
Accumulated surplus - internally restricted Foundation	120,324	139,290
	\$ 28,323,991	\$ 28,040,891

During the year \$99,666 (2016 - \$132,183) of internally restricted contributions were recognized in revenue.

11. CHANGES IN NON-CASH WORKING CAPITAL

	2017	2016
Accounts receivable	\$ (1,021,602)	\$ (8,325,996)
Inventory for resale	(88,659)	59,721
Prepaid expenses	867,759	(991,124)
Accounts payable and accrued liabilities	7,333,245	3,289,024
Deferred revenue - restricted funding	196,355	1,759,537
Deferred revenue - Foundation	2,357,489	307,074
	\$ 9,644,587	\$ (3,901,764)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2017, with comparative information for 2016

12. PENSION PLANS

The College contributes to two defined benefit pension plans separately administered by the Public Service Superannuation Plan Trustee Inc. and the Teachers' Pension Plan Trustee Inc. The College accounts for these pensions as defined contribution plans.

In the first plan, the Nova Scotia Public Service Superannuation Plan, the Public Service Superannuation Plan Trustee Inc. assumes the actuarial and investment risk. The College matches employees' contributions calculated as follows: 8.4% (2016 - 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% (2016 - 10.9%) on the part of their salary that is in excess of YMPE. Under this plan, the College has recognized contributions of \$8,747,553 (2016 - \$8,597,645) 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, 2015 and issued their report in June 2016. The report indicated that the Plan had a funding excess of \$44,869,000 (December 31, 2014 - funding excess of \$123,655,000). The College is not responsible for, or cannot benefit from, deficits or surplus' 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% (2016 - 10.3%) on the part of their salary that is equal to or less than the YMPE under the CPP and 12.9% (2016 - 11.9%) on the part of their salary that is in excess of YMPE. Under this plan, the College has recognized contributions of \$15,708,697 (2016 - \$14,201,627) for the year.

Actuarial valuations of the Plan are required every year by the Act, and provide an estimate of the accrued pension obligation (Plan liabilities) calculated using various economic and demographic assumptions, based on membership data as at the valuation date. The Plan's consulting actuaries, Eckler Limited, performed a valuation as at December 31, 2016 and issued their report in April 2017. The report indicated that the Plan had an unfunded liability of \$1,409,344 (2015 - \$1,438,633). The College is not responsible for, or cannot benefit from, deficits or surplus' of the plan other than changes to employer contribution rates.

13. EMPLOYEE FUTURE BENEFIT OBLIGATIONS

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

	2017	2016
College service award	\$ 7,474,324	\$ 7,864,162
Non-pension retirement benefits - NSGEU and non-union employees	17,896,546	16,533,713
Non-pension retirement benefits - NSTU	46,777,600	41,972,115
	\$ 72,148,470	\$ 66,369,990

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2017, with comparative information for 2016

13. EMPLOYEE FUTURE BENEFIT OBLIGATIONS (continued)

College Service Award

An employee hired on or after August 1, 1998 who retires because of age or mental or physical incapacity will be granted a College Service Award ("CSA") equal to 1% of the employee's annual salary for each year of continuous service to a maximum of 25 years. There are no employee contributions in respect of the plan. There is no distinct fund held in respect of the CSA benefits but sufficient cash is maintained to cover the obligation, with benefits paid from unrestricted cash. The benefits paid during the year were \$510,675 (2016 - \$290,889). An actuarial valuation was completed as of March 31, 2017 and the College's obligation relating to these benefits includes:

	2017	2016
College service award accrued benefit obligation	\$ 7,233,000	\$ 7,603,000
Unamortized actuarial gain	241,324	261,162
Benefit obligation - College service award	\$ 7,474,324	\$ 7,864,162

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

	2017	2016
Current period benefit costs	\$ -	\$ 277,000
Interest expense	146,953	157,051
Amortization of actuarial gains	(26,116)	-
Gain on plan curtailment	-	(5,111,301)
Total expense related to the obligation	\$ 120,837	\$ (4,677,250)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2017, with comparative information for 2016

13. EMPLOYEE FUTURE BENEFIT OBLIGATIONS (continued)

College Service Award (continued)

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

Future salary increase	3% per annum (2016 - 3% per annum)
Discount rate	2% per annum (2016 - 2% per annum)
Retirement age	20% upon attainment of age 55 and 80 points (age plus service) if hired before April 6, 2010 or 85 points if hired on or after April 6, 2010; the remainder at 35 years of service or age 60, whichever is earlier
Expected Average Remaining Service Life (EARSL)	9 years (2016 - 10 years)

Effective April 1, 2015 the College Service Award was effectively frozen, consistent with the Public Services Sustainability Act. The plan is frozen in terms of service earned, however, salary will continue to accrue consistently with the terms of the expired collective agreements and the non-bargaining unit employees. This government directive resulted in the curtailment of the CSA in 2016.

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 \$214,291 (2016 - \$199,189). An actuarial valuation was completed as of March 31, 2017 and the College's obligation relating to these benefits includes:

	2017	2016
NSGEU and non-union employees accrued benefit obligation	\$ 15,467,237	\$ 14,522,407
Unamortized actuarial gain	2,429,309	2,011,306
Benefit obligation - NSGEU and non-union employees	\$ 17,896,546	\$ 16,533,713

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2017, with comparative information for 2016

13. EMPLOYEE FUTURE BENEFIT OBLIGATIONS (continued)

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

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

	2017	2016
Current period benefit costs	\$ 1,288,602	\$ 1,264,982
Interest expense	301,191	241,010
Amortization of actuarial gain	(12,669)	(182,469)
Total expense related to the NSGEU and non-union employees	\$ 1,577,124	\$ 1,323,523

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

Discount rate	2% per annum (2016 - 2% per annum)
Retirement age	20% upon attainment of age 55 and 80 points (age plus service) if hired before April 6, 2010 or 85 points if hired on or after April 6, 2010; the remainder at 35 years of service or age 60, whichever is earlier
EARSL	11 years (2016 - 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 \$479,200 (2016 - \$539,200).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2017, with comparative information for 2016

13. EMPLOYEE FUTURE BENEFIT OBLIGATIONS (continued)

Non-pension Retirement Benefits - NSTU (continued)

An actuarial valuation was completed as of March 31, 2017 and the College's obligation relating to these benefits includes:

	2017	2016
NSTU accrued benefit obligation	\$ 49,252,000	\$ 49,002,798
Unamortized actuarial loss	(2,474,400)	(7,030,683)
Benefit obligation - NSTU	\$ 46,777,600	\$ 41,972,115

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

	2017	2016
Current period benefit costs	\$ 2,773,200	\$ 2,438,800
Interest expense	1,847,700	1,739,078
Amortization of actuarial loss	663,800	485,395
Total expense related to the NSTU obligation	\$ 5,284,700	\$ 4,663,273

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

Discount rate	3.59% per annum (2016 - 3.71% 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.
EARSLS	12 years (2016 - 12 years)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2017, with comparative information for 2016

14. ACCRUED OBLIGATION FOR OTHER COMPENSATED ABSENCES

NSTU College employees receive sick leave that accumulates at varying amounts per month based on services rendered by employees. Unused hours can be carried forward for future paid leave and employees can accumulate up to a maximum number of hours. An actuarial estimate for this future liability has been completed and forms the basis for the estimated liability reported in these financial statements. The benefits paid during the year were \$337,310 (2016 - \$339,412).

At March 31, 2017 the College's accrued obligation for other compensated absences costs and obligations consists of:

	2017	2016
Accrued obligation for compensated absences	\$ 2,569,373	\$ 1,964,170
Unamortized actuarial loss	(1,115,247)	(551,403)
Accrued benefit obligation for other compensated absences	\$ 1,454,126	\$ 1,412,767

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

	2017	2016
Current period benefit costs	\$ 256,097	\$ 251,230
Interest expense	38,471	33,772
Amortization of actuarial loss	84,101	48,366
Total expense related to the obligation	\$ 378,669	\$ 333,368

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

Future salary increases	3% per annum (2016 - 3% per annum)
Discount rate	2% per annum (2016 - 2% per annum)
Retirement age	20% upon attainment of age 55 and 80 points (age plus service) if hired before April 6, 2010; or 85 points if hired on or after April 6, 2010; the rest at 35 years of service or age 60, whichever is earlier.
EARSL	8 years (2016 - 8 years)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2017, with comparative information for 2016

15. FINANCIAL INSTRUMENTS

a) Financial risk factors

The College has exposure to credit risk, liquidity risk, and market risk. The College's Board of Governors has overall responsibility for the oversight of these risks and reviews the College's policies on an ongoing basis to ensure that these risks are appropriately managed. The source of risk exposure and how each is managed is outlined below:

(i) Credit risk

Credit risk arises with the uncertainties of predicting the financial difficulties students and corporations may experience, which could cause them to be unable to fulfill their commitments to the College. The College mitigates this risk by having a diversified mix of students and corporations, thereby limiting the exposure to a single individual or corporation. The College's credit risk is limited to the recorded amount of accounts receivable, investment and cash. The College performs a continuous evaluation of its accounts receivable balance and records an 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 investment with high quality financial institutions in Canada. Management considers there is no significant credit risk as at March 31, 2017.

(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, 2017, the College had cash of \$51,658,976 (2016 - \$62,491,984) and investments of \$20,502,698 (2016 - \$nil), before considering Foundation investments.

(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 of 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 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 equity investments are exposed to price risk, while fixed income investments are subject to interest rate risk.

As the fixed income portfolio contains bonds with an average duration of 3.2 years, a 1% increase in interest rates would decrease the value of the bond portfolio by an approximate 3.2%. As bonds comprise about 20% of the investment portfolio, the impact would be a reduction of 0.6% 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.

Money market instruments comprise another 21% of the portfolio, though the impact from a change in rates is significantly lower due to their short duration.

As equities comprise about 60% of the investment portfolio, a 2% increase in equity values would increase the portfolio by 1.2% or approximately \$121,000 on \$6,034,014 market value in equities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2017, with comparative information for 2016

15. FINANCIAL INSTRUMENTS (CONTINUED)

As at March 31, 2017, approximately 30% of the portfolio is directly exposed to foreign currency fluctuations of which approximately 16% would be attributable to US dollar and Canadian dollar (CAD) translation risk. The foreign exchange exposure is highest for the US 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 \$300,000 change in value which is a 3% market value impact to the overall portfolio.

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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2017, with comparative information for 2016

15. FINANCIAL INSTRUMENTS (CONTINUED)

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, 2017		March 31, 2016	
	Fair Value	Cost	Fair Value	Cost
Level 2				
Cash	\$ 51,658,976	\$ 51,658,976	\$ 62,491,984	\$ 62,491,984
Investments - College	20,502,698	20,502,698	–	–
Investments - Endowment Fund	10,137,549	10,106,538	8,174,905	8,871,847
	\$ 82,299,223	\$ 82,268,212	\$ 70,666,889	\$ 71,363,831

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

c) Gain from fund distribution

During the year, the College received non-cash distributions on investments totaling \$33,486 (2016 - \$380,838). 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:

2018	\$ 2,367,934
2019	1,336,685
2020	886,103
2021	860,551
2022	627,538
	<u>\$ 6,078,811</u>

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