CONSOLIDATED FINANCIAL STATEMENTS 2021

To the Board of Governors of Nova Scotia Community College

Opinion

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

- the consolidated statement of financial position as at March 31, 2021
- the consolidated statement of operations and accumulated surplus for the year then ended
- the consolidated statement of changes in net financial assets for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at March 31, 2021, and its consolidated results of operations, its consolidated changes in net financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

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

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

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

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

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

Independent Auditors’ Report

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

Auditors’ Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors’ report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors’ report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants
Halifax, Canada
June 24, 2021

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Consolidated Statement of Financial Position

March 31

	2021	2020
Financial assets		
Cash (Note 13)	**$ 53,420,744**	$ 48,060,461
Investments (Note 13)	**24,684,150**	39,992,089
Accounts receivable (Note 3)	**29,304,740**	14,035,018
Provincial receivable – future health benefits (Note 11)	**76,631,700**	70,278,915
Inventory for resale	**1,217,758**	1,021,881
	185,259,092	173,388,364
Liabilities		
Accounts payable and accrued liabilities	**46,515,188**	32,462,167
Deferred revenue – restricted funding (Note 5)	**11,112,277**	9,133,584
Deferred revenue – Foundation (Note 6)	**26,040,701**	21,874,124
Employee future benefit obligations (Note 11)	**100,016,819**	92,908,914
Accrued obligation for other compensated absences (Note 12)	**1,999,030**	1,808,898
	185,684,015	158,187,687
Net financial (liabilities)/assets	**(424,923)**	15,200,677
Non–financial assets		
Tangible capital assets (Note 4)	**31,834,971**	14,589,542
Prepaid expenses	**1,496,136**	1,268,916
	33,331,107	15,858,458
Accumulated surplus (Note 8)	**$ 32,906,184**	$ 31,059,135

Commitments (Note 14)
See accompanying notes to the consolidated financial statements

On behalf of the Board:

Chair

President

Consolidated Statement of Operations and Accumulated Surplus

Year ended March 31

		Budget		2021		2020
Revenues						
Labour and Advanced Education – core grant	$	147,931,000	**$**	**147,931,000**	$	145,676,000
Labour and Advanced Education – retirement health benefits		–		**7,153,700**		6,133,726
Labour and Advanced Education – other		19,384,410		**18,648,088**		19,540,954
Tuition and fees		37,785,567		**37,550,735**		39,623,656
Contract training and service contracts		3,076,397		**1,917,928**		2,178,250
Other (Note 7)		17,412,066		**18,991,662**		27,516,517
		225,589,440		**232,193,113**		240,669,103
Expenditures						
Salaries and benefits		174,770,515		**178,704,808**		177,936,784
Operating supplies and services		27,414,911		**27,317,990**		33,820,127
Equipment, rentals and other administration		9,126,429		**10,417,131**		12,282,890
Utilities and maintenance		9,777,585		**9,686,153**		10,193,870
Amortization of tangible capital assets		4,500,000		**4,203,408**		3,850,804
		225,589,440		**230,329,490**		238,084,475
Annual surplus before the undernoted		–		**1,863,623**		2,584,628
Net (loss)/revenue from Foundation operations		23,800		**(16,574)**		85,719
Annual surplus		23,800		**1,847,049**		2,670,347
Accumulated surplus, beginning of year		31,059,135		**31,059,135**		28,388,788
Accumulated surplus, end of year	$	31,082,935	**$**	**32,906,184**	$	31,059,135

See accompanying notes to the consolidated financial statements

Consolidated Statement of Change in Net Financial Assets

Year ended March 31

	Budget	2021	2020
Annual surplus	$ 23,800	**$ 1,847,049**	$ 2,670,347
Change in tangible capital assets			
Purchase of tangible capital assets	(3,000,000)	**(21,448,837)**	(9,248,883)
Amortization of tangible capital assets	4,500,000	**4,203,408**	3,850,804
	1,500,000	**(17,245,429)**	(5,398,079)
Net change in prepaid expenses	–	**(227,220)**	(663,915)
Decrease in net financial assets	1,523,800	**(15,625,600)**	(3,391,647)
Net financial assets, beginning of year	15,200,677	**15,200,677**	18,592,324
Net financial (liabilities)/assets, end of year	$ 16,724,477	**$ (424,923)**	$ 15,200,677

See accompanying notes to the consolidated financial statements

Consolidated Statement of Cash Flows

Year ended March 31

		2021		2020
Increase in cash				
Operating				
Annual surplus	**$**	**1,847,049**	$	2,670,347
Adjustments for:				
Amortization of tangible capital assets		**4,203,408**		3,850,804
Employee future benefit obligations		**7,107,905**		6,637,629
Provincial receivable – future health benefits		**(6,352,785)**		(5,482,282)
Accrued obligation for other compensated absences		**190,132**		189,316
Gain on sale of investments		**(223,266)**		(506,707)
Gain from fund distributions		**(146,916)**		(139,523)
Unrealized gain/(loss) on investments		**(4,098,124)**		2,401,018
Changes in non-cash working capital (Note 9)		**3,955,357**		3,800,441
		6,482,760		13,421,043
Capital				
Purchase of tangible capital assets		**(20,898,722)**		(7,332,111)
		(20,898,722)		(7,332,111)
Investing				
Proceeds on sale of investments		**20,622,876**		22,967,824
Purchase of investments		**(846,631)**		(23,357,431)
		19,776,245		(389,607)
Net increase in cash		**5,360,283**		5,699,325
Cash, beginning of year		**48,060,461**		42,361,136
Cash, end of year	**$**	**53,420,744**	$	48,060,461

See accompanying notes to the consolidated financial statements

Notes to the Consolidated Financial Statements

March 31, 2021

1. Overview of Operations

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 fourteen campuses serving 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.

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial economic impact. The College has undertaken certain strategies and actions to respond to the pandemic with the health and safety of students, faculty and staff as a priority. The majority of teaching and learning has occurred online, and the majority of faculty and staff have worked from home throughout the year. The impacts on the College's financial results for the year caused by the effects of the pandemic included contract training and service contracts revenue, bookstore revenue, interest income and applied research revenue. The ultimate duration and magnitude of the pandemic's impact on the College's operations and financial operations is not known at this time.

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 Nova Scotia Community College and related activities.

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 include 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 – future health benefits are measured at amortized cost
- Accounts payable and accrued liabilities are measured at amortized cost

2. Significant Accounting Policies (continued)

Financial instruments (continued)

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. Unrealized gains and losses related to restricted or endowed funds are deferred until such time the funds are used for their intended purpose.

Tangible capital assets

Tangible capital assets are recorded at cost. Computer equipment, furniture and equipment and leasehold improvements are amortized on a straight-line basis over the following estimated useful life:

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

Buildings are amortized on a declining balance basis at 4%.

Construction in progress relates to leasehold improvements which will be amortized once the asset is available for use beginning the next fiscal period.

Land and buildings used in the delivery of the College's 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 is valued at the lower of weighted average cost and net realizable value. Administrative and program supplies and library periodicals are not inventoried.

Revenue recognition

The College derives certain revenues from various funding agencies, which are recorded in the period in which the entitlement arises. Tuition and fees, contract training and service contracts and other income are recorded as goods are sold and services are provided and when collection is reasonably assured.

2. Significant Accounting Policies (continued)

Revenue recognition (continued)

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 that have not yet been met.

Government and other contributions with stipulations are initially deferred and recognized as revenue as the related stipulations are met.

Unrestricted donations and gifts are recognized as revenue when received or receivable if the amounts to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the year the related expenses are recognized. Endowment contributions by their nature are not recognized as revenue but held as a deferred contribution indefinitely.

Investment income is recorded on an accrual basis. Restricted investment income, either as a result of external restrictions or the terms of endowment agreements, is recognized as revenue in the year in which the related expenses are recognized. Unrestricted investment revenue, including income related to internally restricted funds, is recognized when earned. Investments are recorded on a trade-date basis. All transaction costs associated with acquisition and disposition of investments are expensed to the statement of operations, accumulated surplus and net financial assets as incurred.

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's service award (the "CSA") was effectively frozen, consistent with the Public Services Sustainability Act. The plan is frozen in terms of service earned, however, salary will continue to accrue consistently with the terms of the expired collective agreements and the non-bargaining unit employees. This award is paid to eligible employees in the year of retirement.

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.

2. Significant Accounting Policies (continued)

Employee future benefit obligations (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 (Note 11).

Accrued obligation for other compensated absences

Certain employees of the College are entitled to sick-pay benefits that accumulate but do not vest. In accordance with PSAS for post-employment benefits and compensated absences, the College recognizes the liability for accumulative sick-pay benefits in the period in which the employee renders service (Note 12).

Statement of re-measurement gains and losses

The College has not presented a statement of re-measurement gains and losses as financial instruments measured at fair value relate to deferred revenue and unrealized gains and losses are deferred with the original contribution.

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.

The COVID-19 pandemic resulted in a significant economic uncertainty and consequently it may be difficult to reliably measure the impact on the measurement of assets and liabilities at March 31, 2021. Management's estimates related to the allowance for doubtful accounts and the determination of employee future benefits could differ materially from the amounts included in these financial statements if assumptions and estimates made by management are different from the actual results.

3. Accounts Receivable

		2021		2020
Organizations	$	**2,362,520**	$	7,357,922
Student tuition and fees		**1,792,046**		1,596,297
Government funding		**23,980,146**		3,180,625
Harmonized sales tax		**1,597,283**		2,387,847
Allowance for doubtful accounts		**(427,255)**		(487,673)
	$	**29,304,740**	$	14,035,018

4. Tangible Capital Assets

		2021						2020
		Cost		**Accumulated Amortization**		**Net Book Value**		Net Book Value
Land	$	**1,243,123**	$	**–**	$	**1,243,123**	$	1,243,123
Buildings		**464,008**		**114,034**		**349,974**		364,556
Computer equipment		**9,121,679**		**8,841,030**		**280,649**		196,983
Furniture and equipment		**51,263,136**		**45,221,009**		**6,042,127**		6,217,314
Leasehold improvements		**9,370,194**		**8,360,174**		**1,010,020**		1,242,811
Construction in progress		**22,909,078**		**–**		**22,909,078**		5,324,755
	$	**94,371,218**	$	**62,536,247**	$	**31,834,971**	$	14,589,542

5. Deferred Revenue – Restricted Funding

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

		2021		2020
Apprenticeship	$	**2,589,112**	$	59,231
Applied research		**1,133,088**		918,398
Business development		**56,318**		80,798
Continuing education		**195,991**		203,763
Cost recovery programs		**818,289**		1,135,550
Adult learning program		**875,211**		875,211
Achieve		**1,327,767**		1,065,475
One NS Dashboard		**289,216**		416,228
Disability resources		**48,066**		361,714
Other		**3,779,219**		4,017,216
	$	**11,112,277**	$	9,133,584

6. Deferred Revenue – Foundation

The Foundation's deferred contributions include 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, 2019	$ 5,568,226	$ 15,841,934	$ 21,410,160
Contributions	3,333,476	1,751,727	5,085,203
Investment income	139,980	430,408	570,388
Unrealized gain on investments	(589,238)	(1,811,780)	(2,401,018)
Gain on sale of investments	158,592	487,638	646,230
Revenue recognized	(2,242,601)	(1,194,238)	(3,436,839)
Balance, March 31, 2020	$ 6,368,435	$ 15,505,689	$ 21,874,124
Contributions	**2,648,032**	**444,142**	**3,092,174**
Investment income	**67,430**	**536,122**	**603,552**
Unrealized loss on investments	**457,883**	**3,640,240**	**4,098,123**
Gain on sale of investments	**41,360**	**328,822**	**370,182**
Revenue recognized	**(2,937,512)**	**(1,059,942)**	**(3,997,454)**
Balance, March 31, 2021	**$ 6,645,628**	**$ 19,395,073**	**$ 26,040,701**

As a result of external restrictions and endowments, the College has restricted investments of $24,684,150 (2020 – $19,992,089) related to externally restricted and endowment funds.

7. Other Revenue

		2021		2020
Bookstore revenue	**$**	**3,269,242**	$	4,374,476
Food sales		**209,138**		1,344,565
Shop revenue		**107,442**		253,133
Interest		**850,366**		1,735,956
Recoveries		**690,830**		2,386,120
Capital recoveries		**57,035**		1,215,315
Applied research		**2,273,587**		2,702,445
Provincial service award recovery		**133,052**		437,258
Lodging, rent and miscellaneous		**11,400,970**		13,067,249
	$	**18,991,662**	$	27,516,517

8. Accumulated Surplus

Specific funds have been internally restricted by the Board of the College to ensure that the funds are used solely for College development projects. The Board of the College has restricted $4,722,923 (2020 – $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 is in compliance with all restrictions applicable to these funds.

		2021		2020
Accumulated surplus – College operating	**$**	**27,721,080**	$	25,857,457
Accumulated surplus – internally restricted for College development		**4,722,923**		4,722,923
Accumulated surplus – Foundation		**462,181**		478,755
	$	**32,906,184**	$	31,059,135

9. Changes in Non-Cash Working Capital

	2021	2020
Accounts receivable	**$ (15,269,722)**	$ 1,246,488
Inventory for resale	**(195,877)**	(219,176)
Prepaid expenses	**(227,220)**	(663,915)
Accounts payable and accrued liabilities – operating	**13,502,906**	2,914,367
Deferred revenue – restricted funding	**1,978,693**	58,713
Deferred revenue – Foundation	**4,166,577**	463,964
Changes in non—cash working capital from operations	**$ 3,955,357**	$ 3,800,441

The change in accounts payable and accrued liabilities related to the acquisition of tangible capital assets is $550,115 (2020 – $1,916,772).

10. 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% (2020 – 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% (2020 – 10.9%) on the part of their salary that is in excess of YMPE. Under this plan, the College has recognized contributions of $10,138,864 (2020 – $9,852,830) 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, 2019, and issued their report in June 2020. The report indicated that the Plan had a funding deficit of $105,080,000 (December 31, 2018 – $112,134,000). The College is not responsible for, or cannot benefit from, deficits or surpluses of the plan other than changes to employer contribution rates.

In the second plan, the Nova Scotia Teachers' Union Pension Plan, the Province of Nova Scotia along with the Nova Scotia Teachers' Union ("NSTU") assumes the actuarial and investment risk. The College matches employees' contributions calculated as follows: 11.3% (2020 – 11.3%) on the part of their salary that is equal to or less than the YMPE under the CPP and 12.9% (2020 – 12.9%) on the part of their salary that is in excess of YMPE. Under this plan, the College has recognized contributions of $18,376,346 (2020 – $17,838,684) for the year.

10. Pension Plans (continued)

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, 2020, and issued their report in April 2021. The report indicated that the Plan had an unfunded liability of $1,467,331,000 (2020 – $1,497,732,000). The College is not responsible for, or cannot benefit from, deficits or surpluses of the plan other than changes to employer contribution rates.

11. Employee Future Benefit Obligations

College employees are entitled to several benefits as follows:

	2021	2020
College service award	**$ 473,888**	$ 487,731
Non-pension retirement benefits – NSGEU and non-union employees	**22,911,231**	22,142,268
Non-pension retirement benefits – NSTU	**29,665,500**	27,663,458
Non-pension retirement benefits – NSCCAU	**46,966,200**	42,615,457
Employee future benefit obligations	**$ 100,016,819**	$ 92,908,914

College Service Award

An employee hired on or after August 1, 1998, who retires because of age or mental or physical incapacity, will be granted a College service award ("CSA") equal to 1% of the employee's annual salary for each year of continuous service to a maximum of 25 years. Effective April 1, 2015, the CSA was frozen with no further years of service permitted. Adjustments to the benefit related to salary increases remained consistent with the existing agreement. There are no employee contributions in respect of the plan. There is no distinct fund held in respect of the CSA benefits, but sufficient cash is maintained to cover the obligation, with benefits paid from unrestricted cash. The benefits paid during the year were $23,988 (2020 – $122,809).

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

11. Employee Future Benefit Obligations (continued)

College Service Award (continued)

An actuarial valuation was completed as of March 31, 2021, and the College's obligation relating to these benefits includes:

		2021		2020
College service award accrued benefit obligation	**$**	**451,000**	$	466,000
Unamortized actuarial gain		**22,888**		21,731
Benefit obligation – College service award	**$**	**473,888**	$	487,731

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

		2021		2020
Interest expense	**$**	**13,393**	$	14,164
Amortization of actuarial gains		**(3,248)**		(1,986)
Total expense related to obligation	**$**	**10,145**	$	12,178

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

Future salary increase	3% per annum (2020 – 3% per annum)
Discount rate	3.01% per annum (2020 – 2.95% per annum)
Retirement age	10% at age 59; 20% at age 60; 10% at each year from ages 61 – 64; 50% at each year from ages 65 – 69; 100% at age 70; 20% at each year on or after 80 points (age + service) is reached for employees hired before April 6, 2010, if greater than age based rate; 40% when 35 years of service is reached if greater than previous described rates.
Expected Average Remaining Service Life (EARSL)	8 years (2020 – 9 years)

Non-pension Retirement Benefits – NSGEU and non-union employees

In fiscal 2007/2008, the Province required the College to assume the future liability for non-pension retirement benefits for the College's non-teaching staff and non-union employees.

The College maintains 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 Consolidated Statement of Financial Position. The benefits paid during the year were $280,814 (2020 – $241,324).

11. Employee Future Benefit Obligations (continued)

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

An actuarial valuation was completed as of October 31, 2020, and extrapolated to March 31, 2021, and the College's obligation relating to these benefits includes:

		2021		2020
NSGEU and non-union employees accrued benefit obligation	**$**	**12,381,605**	$	17,274,109
Unamortized actuarial gain		**10,529,626**		4,868,159
Benefit obligation – NSGEU and non-union employees	**$**	**22,911,231**	$	22,142,268

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

		2021		2020
Current period benefit costs	**$**	**942,301**	$	1,138,599
Interest expense		**519,343**		495,353
Amortization of actuarial gain		**(411,867)**		(126,650)
Total expense related to the NSGEU and non-union employees	**$**	**1,049,777**	$	1,507,302

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

Discount rate	3.01% per annum (2020 – 2.95% per annum)
Retirement age	20% upon attainment of age 55 and 80 points (age plus service) if hired before April 6, 2010, or 85 points if hired on or after April 6, 2010; the remainder at 35 years of service or age 60, whichever is earlier
EARSL	12 years (2019 – 12 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 $655,600 (2020 – $571,700).

11. Employee Future Benefit Obligations (continued)

Non-pension Retirement Benefits – NSTU (continued)

Effective July 1, 2018, benefits for College faculty and professional support staff formed a new union, the Nova Scotia Community College Academic Union (the "NSCCAU"). At that time, the NSCCAU's future benefits were transferred to a new NSCC Group Insurance and Benefits Plan (the "New Plan") funded by the Province of Nova Scotia. There was no substantive changes to the employees' entitlement under the New Plan. Current retirees and former NSTU staff that moved to management remain in the original post-retirement health benefits plan.

An actuarial valuation was completed as of December 31, 2019, and extrapolated to March 31, 2021, and the College's obligation relating to these benefits includes:

	2021	2020
NSTU accrued benefit obligation	**$ 29,272,700**	$ 30,953,198
Unamortized actuarial loss	**392,800**	(3,289,740)
Benefit obligation – NSTU	**$ 29,665,500**	$ 27,663,458

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

	2021	2020
Current period benefit costs	**$ 674,000**	$ 612,000
Interest expense	**975,400**	970,800
Amortization of actuarial loss	**1,008,300**	438,825
Total expense related to the NSTU obligation	**$ 2,657,700**	$ 2,021,625

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

Discount rate	3.01% per annum (2020 – 3.24% per annum)
Retirement age	50% at rule of 85, remainder at earlier of 35 years of credited service, age 62 with 10 years of credited service and age 65 with 2 years of credited service.
EARSL	8 years (2020 – 12 years)

11. Employee Future Benefit Obligations (continued)

Non-pension Retirement Benefits – NSCCAU

Effective July 1, 2018, NSCCAU employees (formerly in NSTU) were transferred to the new NSCC Group Insurance and Benefits Plan from the Teachers' Retirement Health Benefits Plan (the Teacher's Plan). The new plan provides the same post-retirement benefits as the Teachers' Plan.

The Province continues to assume responsibility for non-pension benefits of these employees for past and future service. As a result, a corresponding receivable that directly offsets the liability is recognized. There is no impact on the annual surplus or net financial position of the College as a result of the transfers. The benefits paid during the year were $145,300 (2020 – $79,700)

An actuarial valuation was completed as of December 31, 2019 and extrapolated to March 31, 2021 and the College's obligation relating to these benefits includes:

	2021	2020
NSCCAU accrued benefit obligation	**$ 41,824,200**	$ 43,607,400
Unamortized actuarial loss	**5,142,000**	(991,943)
Benefit obligation – NSCCAU	**$ 46,966,200**	$ 42,615,457

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

	2021	2020
Current period benefit costs	**$ 2,967,600**	$ 2,726,200
Interest expense	**1,423,300**	1,327,000
Amortization of actuarial loss	**105,100**	58,857
Total expense related to the NSCCAU obligation	**$ 4,496,000**	$ 4,112,057

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

Discount rate	3.01% per annum (2020 – 3.24%)
Retirement age	50% at rule of 85, remainder at earlier of 35 years of credited service, age 62 with 10 years of credited service and age 65 with 2 years of credited service.
EARSL	10 years (2020 – 10 years)

12. Accrued Obligation for other Compensated Absences

NSCCAU College employees receive sick leave that accumulates at varying amounts per month based on services rendered by employees. Unused hours can be carried forward for future paid leave and employees can accumulate up to a maximum number of hours. An actuarial estimate for this future liability has been completed as at August 15, 2020, and forms the basis for the estimated liability reported in these financial statements. The benefits used during the year were $536,982 (2020 – $493,923).

At March 31, 2021, the College's accrued obligation for other compensated absences costs and obligations consists of:

		2021		2020
Accrued obligation for compensated absences	**$**	**3,429,628**	$	3,291,182
Unamortized actuarial loss		**(1,430,598)**		(1,482,284)
Accrued obligation for other compensated absences	**$**	**1,999,030**	$	1,808,898

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

		2021		2020
Current period benefit costs	**$**	**376,969**	$	360,679
Interest expense		**94,730**		83,537
Amortization of actuarial loss		**255,415**		239,023
Total expense related to the obligation	**$**	**727,114**	$	683,239

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

Future salary increases	3% per annum (2020 – 3% per annum)
Discount rate	3.01% per annum (2020 – 2.95% per annum)
Retirement age	50% of members who achieve eligibility for unreduced retirement under the rule of 85 prior to age 62 will retire when first eligible; remaining members retire as the earliest of age 65 with at least 2 years of service, 35 years of service or age 62 with at least 10 years of service.
EARSL	11 years (2020 – 11 years)

13. 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 Consolidated Statement of Financial Position is net of allowances for bad debts, estimated by management based on prior experience and their assessment of the current economic environment. The College also manages credit risk by holding its cash and investments with high quality financial institutions in Canada. Management considers there is no significant credit risk as at March 31, 2021.

(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, 2021, the College had cash of $53,420,744 (2020 – $48,060,461) and investments of $NIL (2020 – $20,000,000), before considering Foundation investments. Management considers there is no significant liquidity risk as at March 31, 2021.

(iii) Market risk

Market risk is the risk that the fair value or cash flows of a financial instrument will fluctuate due to changes in market interest rates, market prices and changes in foreign exchange rates. The COVID-19 pandemic and the measures taken to contain the virus continue to impact the market as a whole. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on the Foundation is not known at this time.

The College, through the Foundation invests in funds managed by a third party financial institution based on policies established by the Foundation's Investment Policy. The value of the third party managed funds are sensitive to market fluctuations including interest rates, market prices and foreign currency impacting the underlying investments of the fund. An immediate hypothetical decline of 10% in the unit value of funds will impact the Foundation's investments by an approximate loss of $2,500,000 (2020 – $2,000,000). A hypothetical increase of 10% in unit values would have an equal increase. Gains or losses from the Foundation's investment would result in an increase or decrease in deferred revenue as these funds have donor restrictions as to their use and therefore would increase or decrease funds available for the specified use in future periods.

13. Financial Instruments (continued)

b) Fair value

The College evaluated the fair values of its financial instruments based on the current interest rate environment, related market values and current pricing of financial instruments with comparable terms. The carrying values of cash, accounts receivable, investments – College and accounts payable and accrued liabilities are considered to approximate fair values due to their short-term maturity. The carrying value of the Provincial receivable – NSTU/NSCCAU Future Health Benefits approximates fair value based on the actuarial valuation performed on non-pension retirement benefits – NSTU/NSCCAU (Note 12). Investments – Restricted Fund and Endowment Fund are investments in pooled funds. Their fair value is approximated by their respective fund's net asset value which is determined based on the fair value of the assets held by the fund less any liabilities.

Financial instruments recorded at fair value are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included with Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the assets or liability that are not based on observable market data (unobservable inputs).

The following table presents the financial instruments recorded at fair value in the Consolidated Statement of Financial Position, classified using the fair value hierarchy described above:

	March 31, 2021		March 31, 2020	
	Fair Value	**Cost**	Fair Value	Cost
Level 1				
Investments – Stock – Foundation	**$ 3,114,480**	**$ 2,997,820**	$ 2,273,540	$ 2,997,820
Level 2				
Cash	**53,420,744**	**53,420,7441**	48,060,461	48,060,461
Investments – College	**–**	**–**	20,000,000	20,000,000
Investments – Foundation	**21,569,670**	**19,338,691**	17,718,549	18,710,219
	$ 78,104,894	**$ 75,757,255**	$ 88,052,550	$ 89,768,500

Included in investments are amounts related to endowment totaling a fair value of $21,569,670 (2020 – $17,718,549) and a cost of $19,338,691 (2020 – $18,710,219).

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

13. Financial Instruments (continued)

c) Gain from fund distribution

During the year, the College received non-cash distributions on investments totaling $146,916 (2020 – $139,523). These distributions represent a distribution of units by the respective investments in lieu of cash.

14. Commitments

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

2022	$ 2,022,998
2023	1,759,710
2024	794,584
2025	165,894
2026	60,637
	$ 4,803,823

15. Related Party Transactions

The College is related to the Province of Nova Scotia as it was created through the Community College Act of Nova Scotia and received funding from the Nova Scotia Department of Labour and Advanced Education. The majority of land and buildings the College uses to fulfill its mandate are owned by the Province of Nova Scotia. The College uses these assets through an operating agreement. No compensation is paid for the use of the assets.

16. Comparative Information

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

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