

Appendices

Appendix A - Student Loan Corporation Audited Financial Statements

**STUDENT LOAN CORPORATION OF
NEWFOUNDLAND AND LABRADOR**

FINANCIAL STATEMENTS

MARCH 31, 2019

Office of the Auditor General

Management's Report

Management's Responsibility for the Student Loan Corporation of Newfoundland and Labrador Financial Statements

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards and the integrity and objectivity of these statements are management's responsibility. Management is also responsible for all of the notes to the financial statements, and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that transactions are properly authorized, assets are safeguarded and liabilities are recognized.

Management is also responsible for ensuring that transactions comply with relevant policies and authorities and are properly recorded to produce timely and reliable financial information.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and exercises these responsibilities through the Board. The Board reviews internal financial information on a periodic basis and external audited financial statements yearly.

The Auditor General conducts an independent audit of the annual financial statements of the Corporation in accordance with Canadian generally accepted auditing standards, in order to express an opinion thereon. The Auditor General has full and free access to financial management of the Student Loan Corporation of Newfoundland and Labrador.

On behalf of the Student Loan Corporation of Newfoundland and Labrador.



Mr. Robert Feaver
Director of Student Financial Services



**AUDITOR
GENERAL**
of Newfoundland and Labrador

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Student Loan Corporation
of Newfoundland and Labrador
St. John's, Newfoundland and Labrador

Opinion

I have audited the financial statements of the Student Loan Corporation of Newfoundland and Labrador (the Corporation), which comprise the statement of financial position as at March 31, 2019, and the statements of operations, change in net financial assets, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2019, and the results of its operations, changes in its net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Corporation in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and my auditor's report thereon. The annual report is expected to be made available to me after the date of this auditor's report.

My opinion on the financial statements does not cover the other information and I will not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated. When I read the annual report, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance.

Independent Auditor's Report (cont.)

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 Corporation'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 Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

My 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 auditor's report that includes my 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 these financial statements.


As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I 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 my 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 Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Independent Auditor's Report (cont.)

- 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 Corporation's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. I draw attention to Note 14 of the financial statements which outlines the transfer of the Corporation's functions and assets and liabilities to Government departments subsequent to the year end.
- 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.

I 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 I identify during my audit.



JULIA MULLALEY, CPA, CA
Auditor General

August 19, 2019
St. John's, Newfoundland and Labrador

ANNUAL REPORT 2018 -19

**STUDENT LOAN CORPORATION OF NEWFOUNDLAND AND LABRADOR
STATEMENT OF FINANCIAL POSITION**

As at March 31	2019	2018
FINANCIAL ASSETS		
Cash	\$ 963,047	\$ 6,770,501
Due from government (Note 4)	305,880	387,005
Student loans receivable (Note 5)	47,273,035	51,295,898
	<u>48,541,962</u>	<u>58,453,404</u>
LIABILITIES		
Accounts payable and accrued liabilities (Note 6)	144,824	174,216
Employee future benefits (Note 7)	37,280	202,721
	<u>182,104</u>	<u>376,937</u>
Net financial assets	<u>48,359,858</u>	<u>58,076,467</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 8)	3,413	6,741
	<u>3,413</u>	<u>6,741</u>
Accumulated surplus	<u>\$ 48,363,271</u>	<u>\$ 58,083,208</u>

The accompanying notes are an integral part of these financial statements.

Signed on behalf of the Board:


Chairperson


Director

Office of the Auditor General

ANNUAL REPORT 2018 -19

STUDENT LOAN CORPORATION OF NEWFOUNDLAND AND LABRADOR
STATEMENT OF OPERATIONS
 For the year ended March 31

	2019 Budget (Note 11)	2019 Actual	2018 Actual
REVENUES			
Provincial grant (Note 10)	\$ 5,683,000	\$ 1,187,068	\$ 1,838,938
Recovery in value of student loan receivable	-	836,991	221,370
Interest	275,000	91,928	105,004
Student loan interest	-	163,579	180,574
Other	50,000	100,384	34,925
	<u>6,008,000</u>	<u>2,379,950</u>	<u>2,380,811</u>
EXPENSES (Note 12)			
Portfolio management	11,244,459	11,621,823	11,527,714
Repayment services	311,578	322,035	267,261
General administration	150,963	156,029	360,608
	<u>11,707,000</u>	<u>12,099,887</u>	<u>12,155,583</u>
Annual deficit	(5,699,000)	(9,719,937)	(9,774,772)
Accumulated surplus, beginning of year	<u>58,083,208</u>	<u>58,083,208</u>	<u>67,857,980</u>
Accumulated surplus, end of year	<u>\$ 52,384,208</u>	<u>\$ 48,363,271</u>	<u>\$ 58,083,208</u>

*The accompanying notes are an
 integral part of these financial statements.*

Office of the Auditor General

ANNUAL REPORT 2018 -19

STUDENT LOAN CORPORATION OF NEWFOUNDLAND AND LABRADOR
STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
 For the year ended March 31

	2019 Budget (Note 11)	2019 Actual	2018 Actual
Annual deficit	\$ (5,699,000)	\$ (9,719,937)	\$ (9,774,772)
<u>Amortization of tangible capital assets</u>	<u>10,000</u>	<u>3,328</u>	<u>3,818</u>
Decrease in net financial assets	(5,689,000)	(9,716,609)	(9,770,954)
<u>Net financial assets, beginning of year</u>	<u>58,076,467</u>	<u>58,076,467</u>	<u>67,847,421</u>
<u>Net financial assets, end of year</u>	<u>\$ 52,387,467</u>	<u>\$ 48,359,858</u>	<u>\$ 58,076,467</u>

*The accompanying notes are an
 integral part of these financial statements.*

Office of the Auditor General

ANNUAL REPORT 2018 -19

STUDENT LOAN CORPORATION OF NEWFOUNDLAND AND LABRADOR
STATEMENT OF CASH FLOWS
For the year ended March 31

	2019	2018
Operating transactions		
Annual deficit	\$ (9,719,937)	\$ (9,774,772)
Adjustments for non-cash items		
Amortization	3,328	3,818
Recovery in value of student loan receivable	(836,991)	(221,370)
	<u>(10,553,600)</u>	<u>(9,992,324)</u>
Changes in non-cash operating items		
Due from government	81,125	(225,464)
Accounts payable and accrued liabilities	(29,392)	(19,719)
Employee future benefits	(165,441)	6,728
Due to government	-	(56,962)
	<u>(10,667,308)</u>	<u>(10,287,741)</u>
Investing transactions		
Net decrease in student loans receivable (Note 5)	5,397,101	7,313,438
Student loans written off to allowance	(537,247)	(2,502,084)
	<u>4,859,854</u>	<u>4,811,354</u>
Decrease in cash	(5,807,454)	(5,476,387)
Cash, beginning of year	6,770,501	12,246,888
Cash, end of year	<u>\$ 963,047</u>	<u>\$ 6,770,501</u>

The accompanying notes are an integral part of these financial statements.

Office of the Auditor General

STUDENT LOAN CORPORATION OF NEWFOUNDLAND AND LABRADOR
NOTES TO FINANCIAL STATEMENTS
March 31, 2019

1. Nature of operations

The Student Loan Corporation of Newfoundland and Labrador (the Corporation) was established on March 30, 2004 under the authority of the *Student Financial Assistance Act*. The objective of the Corporation is to act as the lender for all Provincial student loans. The affairs of the Corporation are managed by a Board of Directors comprised of senior government officials.

The Corporation is a Crown entity of the Province of Newfoundland and Labrador and as such is not subject to Provincial or Federal income taxes.

2. Summary of significant accounting policies

(a) Basis of accounting

The Corporation is classified as an Other Government Organization as defined by Canadian Public Sector Accounting Standards (CPSAS). These financial statements have been prepared by management in accordance with CPSAS for provincial reporting entities established by the Canadian Public Sector Accounting Board (PSAB). The Corporation does not prepare a statement of remeasurement gains and losses as the Corporation does not enter into relevant transactions or circumstances that are being addressed by that statement. Outlined below are the significant accounting policies followed.

(b) Financial instruments

The Corporation's financial instruments recognized on the statement of financial position consist of cash, due from government, student loans receivable and accounts payable and accrued liabilities. The Corporation generally recognizes a financial instrument when it enters into a contract which creates a financial asset or financial liability. Financial assets and financial liabilities are initially measured at cost, which is the fair value at the time of acquisition.

The Corporation subsequently measures all of its financial assets and financial liabilities at cost or amortized cost. Financial assets measured at cost include cash and due from government. Student loans receivable is measured at amortized cost as disclosed in notes 2(e) and 5. Financial liabilities measured at cost include accounts payable and accrued liabilities.

The carrying values of cash, due from government and accounts payable and accrued liabilities approximate current fair value due to their nature and the short-term maturity associated with these instruments. The carrying value of student loans receivable is considered to approximate market value.

Interest attributable to financial instruments is reported in the statement of operations.

Office of the Auditor General

STUDENT LOAN CORPORATION OF NEWFOUNDLAND AND LABRADOR
NOTES TO FINANCIAL STATEMENTS
March 31, 2019

2. Summary of significant accounting policies (cont.)

(c) Cash

Cash includes cash in bank.

(d) Employee future benefits

(i) The Corporation provides accumulating, non-vesting sick leave benefits to its employees. The Corporation has made a provision in the accounts for the payment of accumulating, non-vesting, sick leave benefits to certain employees which is based upon the Corporation's best estimate of the probability of the employees utilizing the benefits and current salary levels.

(ii) The employees of the Corporation are subject to the *Public Services Pensions Act, 1991*. Employee contributions are matched by the Corporation and remitted to Provident¹⁰ from which pensions will be paid to employees when they retire. This plan is a multi-employer, defined benefit plan, providing a pension on retirement based on the member's age at retirement, length of service and the average of their best six years of earnings for service on or after January 1, 2015, and, for service before January 1, 2015, the higher of the average of the frozen best 5 years of earnings up to January 1, 2015, or the average of the best 6 years of earnings for all service.

Employee future benefits expenses are included with salaries in the Corporation's financial statements.

(e) Student loans receivable

The Corporation records student loans receivable at amortized cost. Student loans receivable are tested annually for impairment. A loan is classified as impaired when, in the opinion of management, there is reasonable doubt as to the ultimate collectability of a portion of principal or interest related to the loan. When loans are identified as impaired, the Corporation records an allowance to reduce their carrying values to their estimated realizable amounts. Interest is accrued on loans receivable to the extent it is deemed collectible. Changes in the allowance are recognized on the statement of operations. Loan balances determined to be uncollectible are written off by the Corporation.

STUDENT LOAN CORPORATION OF NEWFOUNDLAND AND LABRADOR
NOTES TO FINANCIAL STATEMENTS
 March 31, 2019

2. Summary of significant accounting policies (cont.)

(f) Tangible capital assets

Tangible capital assets are recorded at cost, including amounts that are directly related to the acquisition of the assets.

The cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over their estimated useful lives as follows:

Office equipment	10 years
Computer software	3 years
Computer hardware	4 years

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Corporation's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the statement of operations.

(g) Revenues

Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.

Interest income is accounted for on the accrual basis for bank interest and student loans receivable other than the impaired portion of the loans. Recognition of interest in accordance with the terms of the original loan agreement ceases when a loan becomes impaired.

Government transfers (grants from the Province) are recognized as revenues when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulations related to the liabilities are settled.

STUDENT LOAN CORPORATION OF NEWFOUNDLAND AND LABRADOR
NOTES TO FINANCIAL STATEMENTS
March 31, 2019

2. Summary of significant accounting policies (cont.)

(h) Expenses

Expenses are reported on an accrual basis. The cost of all goods consumed and services received during the year is recorded as an expense in that year.

Transfers, which include grants-provincial and interest relief-repayment assistance, are recorded as expenses when the grant is authorized, eligibility criteria have been met by the recipient and a reasonable estimate of the amount can be made.

(i) Measurement uncertainty

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reporting amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of the revenues and expenses during the period. Items requiring the use of significant estimates include the useful life of a tangible capital assets and collectability of student loans issued.

Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these financial statements. Actual results could differ from these estimates.

3. Change in accounting policy

On April 1, 2018, the Corporation adopted *PS 3430 Restructuring Transactions*. This is a new standard on how to account for and report restructuring transactions by both transferors and recipients of assets and/or liabilities. The accounting change had no impact on the financial statements.

4. Due from government

	<u>2019</u>	<u>2018</u>
Federal government	\$ 29,755	\$ 53,680
Provincial government	276,125	333,325
	<u>\$ 305,880</u>	<u>\$ 387,005</u>

Amounts due from the Federal government relate to recoveries on student loans made by the Canada Revenue Agency. Amounts due from the Provincial government are related to payments received by the Province from defaulted loans.

STUDENT LOAN CORPORATION OF NEWFOUNDLAND AND LABRADOR
NOTES TO FINANCIAL STATEMENTS
March 31, 2019

5. Student loans receivable

The student loan portfolio consists of Provincial loans issued on or after August 1, 2000, and Provincial loans issued prior to that date where the student was still in school and did not receive additional loans.

As at March 31, 2019, approximately 10,553 loans totaling \$23,939,627 (2018 - 11,603 loans totaling \$27,481,811) were being repaid as non-interest bearing for the period April 1, 2018 to March 31, 2019 (Class B loans) while 5,897 loans totaling \$14,714,052 (2018 - 5,914 loans totaling \$14,808,376) were not being repaid as the students were either still in attendance at an approved education institution or were within six months after the end of the study period (Class A loans). Generally, the maximum repayment period for Class B loans is 10 years. Upon graduation, students who meet certain criteria are eligible to have a portion of their loan forgiven through a debt reduction grant.

As at March 31, 2019, approximately 8,344 loans totaling \$35,766,425 (2018 - 8,588 loans totaling \$37,497,594) were defaulted. These loans are defined as Class B loans delinquent for 270 days (nine months). These loans were non-interest bearing for the period April 1, 2018 to March 31, 2019.

Student loans receivable consist of the following:

	<u>2019</u>	<u>2018</u>
Loans receivable		
Class A principal	\$ 14,714,052	\$ 14,808,376
Class B principal	23,939,627	27,481,811
Loans defaulted	35,766,425	37,497,594
Interest receivable	1,480,501	1,509,925
	<u>75,900,605</u>	<u>81,297,706</u>
Less: allowance for doubtful accounts	<u>(28,627,570)</u>	<u>(30,001,808)</u>
	<u>\$ 47,273,035</u>	<u>\$ 51,295,898</u>

The allowance for doubtful accounts represents the Corporation's best estimate of future probable losses with respect to loans receivable. The estimation of an appropriate allowance involves significant judgment. These financial statements represent management's best estimates based on available information.

STUDENT LOAN CORPORATION OF NEWFOUNDLAND AND LABRADOR
NOTES TO FINANCIAL STATEMENTS
March 31, 2019

5. Student loans receivable (cont.)

The net decrease in student loans receivable during the year consists of the following:

	<u>2019</u>	<u>2018</u>
Student loan interest	\$ 163,579	\$ 180,574
Interest relief - repayment assistance	(686,107)	(685,606)
Student loan grants	(1,459,402)	(1,286,050)
Student loans disbursed	6,581,097	6,699,072
Student loan payments	(9,459,021)	(9,719,344)
<u>Student loans written off to allowance</u>	<u>(537,247)</u>	<u>(2,502,084)</u>
	<u>\$ (5,397,101)</u>	<u>\$ (7,313,438)</u>

6. Accounts payable and accrued liabilities

	<u>2019</u>	<u>2018</u>
Trade payables and accrued liabilities	\$ 94,013	\$ 106,968
Salaries and benefits payable	19,977	21,785
<u>Accrued vacation pay</u>	<u>30,834</u>	<u>45,463</u>
	<u>\$ 144,824</u>	<u>\$ 174,216</u>

7. Employee future benefits

	<u>2019</u>	<u>2018</u>
Severance benefits	\$ 23,389	\$ 187,308
<u>Provision for accumulating, non-vesting, sick leave</u>	<u>13,891</u>	<u>15,413</u>
	<u>\$ 37,280</u>	<u>\$ 202,721</u>

(a) Severance liability

Employees of the Corporation as at March 31, 2018, as represented by the Newfoundland and Labrador Association of Public and Private Employees (NAPE), were entitled to severance pay. No further severance will accrue for employees represented by NAPE after March 31, 2018. Executive, management, and non-management/non-union employees of the Corporation as at May 31, 2018 were entitled to severance pay. No further severance will accrue for these employees after May 31, 2018. All employees had the option of receiving their severance entitlement prior to March 31, 2019 or deferring it to a later date.

Office of the Auditor General

STUDENT LOAN CORPORATION OF NEWFOUNDLAND AND LABRADOR
NOTES TO FINANCIAL STATEMENTS
March 31, 2019

7. Employee future benefits (cont.)

(a) Severance liability (cont.)

The severance liability as at March 31, 2019 represents severance owing to employees who deferred receiving their severance entitlement.

(b) Accumulating, non-vesting, sick leave benefits

The Corporation provides accumulating, non-vesting, sick leave benefits to certain employees. The Corporation has made a provision in the accounts for the payment of accumulating, non-vesting, sick leave benefits which is based upon the Corporation's best estimate of the probability of the employees utilizing the benefits and current salary levels. The availability of accumulating, non-vesting, sick leave benefits ceases upon termination of employment with the Corporation and no payment is made by the Corporation.

(c) Pension contributions

The Corporation and its employees are subject to the *Public Service Pensions Act, 1991*. Employee contributions are matched by the Corporation and remitted to Provident¹⁰, as administrator of the plan, from which pensions will be paid to employees when they retire. The plan provides a pension to employees upon retirement based on the member's age at retirement, their length of service and rates of pay. The maximum contribution rate for eligible employees was 11.85% (2018 - 11.85%). The Corporation's share of pension contributions and the total expense for 2019 was \$70,346 (2018 - \$63,130).

8. Tangible capital assets

	Office equipment	Computer software	Computer hardware	Total
Cost				
Balance, March 31, 2018	\$ 38,955	\$ 145,359	\$ 22,404	\$ 206,718
Additions/Disposals	-	-	-	-
Balance, March 31, 2019	38,955	145,359	22,404	206,718
Accumulated amortization				
Balance, March 31, 2018	32,214	145,359	22,404	199,977
Amortization expense	3,328	-	-	3,328
Balance, March 31, 2019	35,542	145,359	22,404	203,305
Net book value, March 31, 2019	\$ 3,413	\$ -	\$ -	\$ 3,413
Net book value, March 31, 2018	\$ 6,741	\$ -	\$ -	\$ 6,741

Office of the Auditor General

STUDENT LOAN CORPORATION OF NEWFOUNDLAND AND LABRADOR
NOTES TO FINANCIAL STATEMENTS
March 31, 2019

9. Financial risk management

The Corporation recognizes the importance of managing risks and this includes policies, procedures and oversight designed to reduce risks identified to an appropriate threshold. The risks that the Corporation is exposed to through its financial instruments are credit risk, liquidity risk and market risk. There was no significant change in the Corporation's exposure to these risks or its processes for managing these risks from the prior year.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Corporation's main credit risk relates to cash, due from government, and student loans receivable. The Corporation's maximum exposure to credit risk is the carrying amounts of these financial instruments. The Corporation is not exposed to significant credit risk with its cash because this financial instrument is held with a Chartered Bank. The Corporation is not exposed to significant credit risk with the amount due from government because of its nature.

The Corporation is exposed to credit risk related to its student loans receivable. The Corporation has policies and procedures for the monitoring and collection of its student loans receivable so as to mitigate potential credit losses. The Corporation classifies its student loans receivable in accordance with notes 2(e) and 5. Any estimated impairment of student loans receivable has been provided for through an allowance for decline in value.

As at March 31, 2019, Class B loans in repayment amounted to \$23,939,627. A total balance of \$3,157,217 of these loans was overdue as follows:

Days Overdue					
1 - 30	31 - 60	61 - 90	91 - 270	>270	Total
\$ 19,988	\$ 1,167,481	\$ 282,088	\$ 772,378	\$ 915,282	\$ 3,157,217

As well, as at March 31, 2019, the balance of defaulted loans subject to collection procedures was \$35,766,425.

Liquidity risk

Liquidity risk is the risk that the Corporation will be unable to meet its contractual obligations and financial liabilities. The Corporation's exposure to liquidity risk relates mainly to its accounts payable and accrued liabilities. The Corporation manages liquidity risk by monitoring its cash flows and ensuring that it has sufficient resources available to meet its financial liabilities. In the event that the Corporation does not believe that it has sufficient liquidity to meet its current obligations, consideration will be given to obtaining additional funds through borrowing or requesting additional funding from the Province.

STUDENT LOAN CORPORATION OF NEWFOUNDLAND AND LABRADOR
NOTES TO FINANCIAL STATEMENTS
 March 31, 2019

9. Financial risk management (cont.)

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency (foreign exchange) risk, interest rate risk and other price risk. The Corporation is not exposed to significant foreign exchange, interest or other price risk.

10. Related party transactions

	<u>2019</u>	<u>2018</u>
<u>Grants from the Province</u>	\$ 1,187,068	\$ 1,838,938
	<u>\$ 1,187,068</u>	<u>\$ 1,838,938</u>

11. Budgeted figures

Budgeted figures have been provided for comparison purposes and have been derived from the estimates approved by the Board of Directors.

12. Expenses by object

	<u>2019</u> <u>Budget</u> (Note 11)	<u>2019</u> <u>Actual</u>	<u>2018</u> <u>Actual</u>
Administrative fees	\$ 600,000	\$ 431,184	\$ 308,535
Amortization	10,000	3,328	3,818
Bank charges	-	6,859	8,449
Federal Early Childhood Education grants	-	1,160	-
Grant-Provincial	9,528,000	10,307,978	10,349,426
Interest relief-repayment assistance	-	686,107	685,606
Operating	63,000	74,736	37,610
Salaries and benefits	1,200,000	588,535	762,139
Valuation allowances	306,000	-	-
Total	\$ 11,707,000	\$ 12,099,887	\$ 12,155,583

13. Non-financial assets

The recognition and measurement of non-financial assets is based on their service potential. These assets will not provide resources to discharge liabilities of the Corporation. For non-financial assets, the future economic benefit consists of their capacity to render service to further the Corporation's objectives.

Office of the Auditor General