Province of
Newfoundland and Labrador

# Financial Statements of Crown Corporations, Boards and Authorities (A - M)

FOR THE YEAR ENDED
31 MARCH 2014

Newfoundland Labrador

# Province of Newfoundland and Labrador

## Financial Statements of Crown Corporations, Boards and Authorities (A-M)

## For The Year Ended 31 March 2014

PRINTED UNDER AUTHORITY OF THE HOUSE OF ASSEMBLY

# INTRODUCTION

The Financial Statements of Crown Corporations, Boards and Authorities are a reproduction of the available audited financial statements of various Government organizations as approved by the applicable boards of these organizations. This report is produced alphabetically in two books; A to M and N to Z. The fiscal years noted in the table of contents are based on the fiscal year end of the organization. This report includes board-signed financial statements of crown corporations, boards and authorities for their most recent fiscal year end up to March 31, 2014. In certain instances, the financial statements for their prior fiscal year end are included due to timing of obtaining board signatures. Financial statements older than two previous fiscal year ends are excluded from this report.

Information on the financial position and results of operations of the Province for the 2013-14 fiscal year may be found in the following financial reports:

**Public Accounts Volume I – Consolidated Summary Financial Statements**

This volume presents the summary financial statements which consolidate the financial statements of the Consolidated Revenue Fund with the financial statements of various Crown Corporations, Boards and Authorities, as approved by Treasury Board, which are controlled by the Government of Newfoundland and Labrador.

**Public Accounts Volume II – Consolidated Revenue Fund Financial Statements**

This volume presents the financial position of the Consolidated Revenue Fund and the results of its activities on an accrual basis.

**Report on the Program Expenditures and Revenues of the Consolidated Revenue Fund**

This report presents the actual budgetary contribution (requirement) of the Consolidated Revenue Fund along with details on the actual revenues and expenditures, by program, using the modified cash basis of accounting.

The Financial Statements of Crown Corporations, Boards and Agencies are also available on the Government's website at: http://www.fin.gov.nl.ca/fin/publications/index.html

**Table of Contents**

**Table of Contents (Continued)**

**This report includes the most recent fiscal year financial statements (current or one prior year), up to March 31, 2013, those that have been received prior to the publication date. All earlier fiscal year statements have been excluded from this report. The financial statements of the following agencies were not received in time for inclusion in this report:**

C.A. Pippy Park Commission (2013)

C.A. Pippy Park Golf Course Limited (2013)

Consumer Protection Fund For Prepaid Funeral Services (2013 & 2014)

Discovery Health Care Foundation Inc. (2013 & 2014)

Dr. H. Bliss Murphy Cancer Care Foundation (2013 & 2014)

Eastern Education Foundation (2012 & 2013)

Egg Farmers of Newfoundland and Labrador (2012 & 2013)

Health Care Foundation of St. John’s Inc. (2013 & 2014)

Heritage Foundation of Newfoundland and Labrador (2013)

House of Assembly (2013 & 2014)

Janeway Children’s Hospital Foundation (2013 & 2014)

Labrador-Grenfell Regional Health Authority (2013 & 2014)

Labrador School Board Trust Fund (2012 & 2013)

Marble Mountain Development Corporation (2013)

Newfoundland and Labrador Arts Council (2013)

Newfoundland and Labrador Farm Products (2013 & 2014)

Newfoundland and Labrador Government Sinking Fund (2013)

Newfoundland and Labrador Legal Aid Commission (2013 & 2014)

Newfoundland and Labrador Sports Centre Inc. (2013)

Newfoundland Government Fund (2013)

Newfoundland International Student Education Program Inc. (2013 & 2014)

Newvest Realty Corporation (2012)

Office of the Public Trustee (2013)

Private Training Corporation (2012)

Province of Newfoundland and Labrador pooled pension Fund (2012)

Provincial Advisory Council on the Status of Women (2013)

Public Health Laboratory (2013)

The Burin Peninsula Health Care Foundation Inc. (2013 & 2014)

The Rooms Corporation of Newfoundland and Labrador (2014)

Trinity-Conception-Placentia Health Foundation Inc. (2013 & 2014)

Consolidated Financial Statements

# Atlantic Lottery Corporation Inc.

March 31, 2014

# INDEPENDENT AUDITORS' REPORT

To the Shareholders of
**Atlantic Lottery Corporation Inc.**

We have audited the accompanying consolidated financial statements of **Atlantic Lottery Corporation Inc.**, which comprise the consolidated balance sheet as at March 31, 2014 and the consolidated statements of operations, comprehensive income, changes in deficiency and cash flows for the year then ended, and 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 International Financial Reporting 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 the auditors' 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, the auditors 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 financial position of **Atlantic Lottery Corporation Inc.** as at March 31, 2014, and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.

Ernst & Young LLP

Saint John, Canada,
June 4, 2014

Chartered Accountants

# MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

To the Shareholders of
**Atlantic Lottery Corporation Inc.**

The consolidated financial statements presented in this Annual Report are the responsibility of the management of **Atlantic Lottery Corporation Inc.** They have been approved by its Board of Directors.

Management prepared the consolidated financial statements in accordance with International Financial Reporting Standards. The financial information contained in the Annual Report is consistent with the data presented in the consolidated financial statements.

**Atlantic Lottery Corporation Inc.** maintains books of account, systems of information, systems of financial and management control, as well as a comprehensive internal audit program, which provide reasonable assurance that accurate financial information is available, that assets are protected and that resources are managed efficiently.

The Board of Directors oversees external and internal audit activities through its audit committee. The committee reviews matters related to accounting, auditing, internal control systems, the consolidated financial statements and reports of the internal and independent external auditors.

Brent Scrimshaw
President & CEO

Patrick Daigle, CA
CFO

**ATLANTIC LOTTERY CORPORATION INC.**
**CONSOLIDATED BALANCE SHEET**
**AS AT MARCH 31**
[In thousands of dollars]

| | | 2014 | | 2013 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| ***Current*** | | | | |
| Cash *[note 5]* | $ | 2,660 | $ | 5,127 |
| Restricted prize cash *[note 5]* | | 20,748 | | 20,341 |
| Accounts receivable *[note 6]* | | 21,073 | | 26,843 |
| Prepaid expenses and deposits | | 9,799 | | 7,047 |
| Inventory *[note 7]* | | 7,160 | | 7,613 |
| | | 61,440 | | 66,971 |
| Derivative asset *[note 17]* | | 969 | | - |
| Investment, at cost *[note 8]* | | 8,681 | | 8,681 |
| Property and equipment *[note 9]* | | 122,094 | | 126,484 |
| Intangibles *[note 10]* | | 57,754 | | 56,265 |
| **TOTAL ASSETS** | $ | 250,938 | $ | 258,401 |
| **LIABILITIES** | | | | |
| ***Current*** | | | | |
| Line of credit *[note 11]* | $ | 14,940 | $ | 19,060 |
| Accounts payable and accrued liabilities *[note 12]* | | 32,718 | | 22,151 |
| Deferred revenue | | 1,465 | | 1,003 |
| Liabilities for unclaimed prizes *[note 13]* | | 20,748 | | 20,341 |
| Due to shareholders *[note 14]* | | 4,895 | | 4,410 |
| Current portion of long-term debt *[note 15]* | | 82,519 | | 66,785 |
| Current portion of long-term lease payable *[note 16]* | | 938 | | 3,038 |
| | | 158,223 | | 136,788 |
| Employee future pension benefits *[note 18]* | | 14,324 | | 37,551 |
| Employee future other post-employment benefits *[note 18]* | | 14,580 | | 14,090 |
| Long-term debt *[note 15]* | | 96,327 | | 130,165 |
| Long-term lease payable *[note 16]* | | 882 | | 1,820 |
| Other long-term liabilities *[note 17]* | | 506 | | 3,158 |
| | | 126,619 | | 186,784 |
| **SHAREHOLDERS' DEFICIENCY** | | | | |
| Share capital *[note 20]* | | 1 | | 1 |
| Accumulated other comprehensive income (loss) | | 968 | | (2,527) |
| Deficit | | (34,873) | | (62,645) |
| | | (33,904) | | (65,171) |
| **TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIENCY** | $ | 250,938 | $ | 258,401 |

Commitments *[note 23]*

*See accompanying notes*

On behalf of Board:

Director

Director

# ATLANTIC LOTTERY CORPORATION INC.
# CONSOLIDATED STATEMENT OF OPERATIONS
# YEAR ENDED MARCH 31

[In thousands of dollars]

| | | 2014 | | 2013 *(Restated)* |
|---|---|---|---|---|
| ***Revenue*** | | | | |
| Gross ticket sales | **$** | **671,286** | $ | 646,903 |
| Net video lottery receipts | | **374,053** | | 381,830 |
| Entertainment centre revenue | | **19,988** | | 19,320 |
| | | **1,065,327** | | 1,048,053 |
| Prizes on ticket sales | | **384,294** | | 367,723 |
| ***Net revenue*** | | **681,033** | | 680,330 |
| ***Direct expenses*** | | | | |
| Commissions | | **122,534** | | 122,515 |
| Ticket printing | | **10,804** | | 13,050 |
| Other direct cost *[note 10]* | | **5,620** | | 4,860 |
| | | **138,958** | | 140,425 |
| **Gross profit** | | **542,075** | | 539,905 |
| ***Expenses*** | | | | |
| Operating and administrative expenses | | **111,294** | | 116,137 |
| Depreciation, amortization and impairment *[notes 9 and 10]* | | **29,884** | | 30,585 |
| Interest *[notes 11, 15 and 16]* | | **4,224** | | 3,575 |
| | | **145,402** | | 150,297 |
| **Profit before the following** | | **396,673** | | 389,608 |
| Other expenses (income) | | **(3,493)** | | (3,020) |
| Taxes *[note 22]* | | **27,296** | | 27,213 |
| Payments to the Government of Canada *[note 21]* | | **4,433** | | 4,355 |
| | | **28,236** | | 28,548 |
| **Net profit** | **$** | **368,437** | $ | 361,060 |

*See accompanying notes*

## ATLANTIC LOTTERY CORPORATION INC.
## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
## YEAR ENDED MARCH 31

[In thousands of dollars]

| | | 2014 | | 2013 |
|---|---|---|---|---|
| | | | | *(Restated)* |
| **Net profit** | **$** | **368,437** | $ | 361,060 |
| **Other comprehensive income (loss)** | | | | |
| Other comprehensive income to retained earnings (not to be reclassified to Statement of Operations in subsequent years) | | | | |
| Variation of the employee future benefit liability | | | | |
| Variation during the year *[note 18]* | | **19,650** | | (16,821) |
| Other comprehensive income to accumulated other comprehensive income (to be reclassified to Statement of Operations in subsequent years) | | | | |
| Mark-to-market gains on derivative instruments designated and qualifying as cash flow hedges | | | | |
| Variation during the year *[note 17]* | | **3,495** | | 77 |
| Other comprehensive income (loss) | | **23,145** | | **(16,744)** |
| **Comprehensive income** | **$** | **391,582** | $ | 344,316 |

*See accompanying notes*

**ATLANTIC LOTTERY CORPORATION INC.**
**CONSOLIDATED STATEMENT OF CHANGES IN DEFICIENCY**
**AS AT MARCH 31**
[In thousands of dollars]

| | Share capital | Accumulated other comprehensive income (loss) | Deficit | 2014 Total shareholders' deficiency |
|---|---|---|---|---|
| Balance, beginning of year | **$ 1** | **$ (2,527)** | **$ (62,645)** | **$ (65,171)** |
| Net profit | **-** | **-** | **368,437** | **368,437** |
| Other comprehensive income (loss) | **-** | **3,495** | **19,650** | **23,145** |
| Comprehensive income | **-** | **3,495** | **388,087** | **391,582** |
| Distribution of profit to shareholders *[note 14]* | | | | |
| New Brunswick Lotteries and Gaming Corporation | **-** | **-** | **(117,571)** | **(117,571)** |
| Province of Newfoundland and Labrador | **-** | **-** | **(120,592)** | **(120,592)** |
| Nova Scotia Provincial Lotteries and Casino Corporation | **-** | **-** | **(107,794)** | **(107,794)** |
| Prince Edward Island Lotteries Commission | **-** | **-** | **(14,208)** | **(14,208)** |
| Total profit allocated to shareholders | **-** | **-** | **(360,165)** | **(360,165)** |
| Dividends paid | **-** | **-** | **(150)** | **(150)** |
| Balance, end of year | **$ 1** | **$ 968** | **$ (34,873)** | **$ (33,904)** |

| | Share capital | Accumulated other comprehensive income (loss) | Deficit | 2013 Total shareholders' deficiency |
|---|---|---|---|---|
| Balance, beginning of year | $ 1 | $ (2,604) | $ (44,189) | $ (46,792) |
| Net profit | - | - | 361,060 | 361,060 |
| Other comprehensive income (loss) | - | 77 | (16,821) | (16,744) |
| Comprehensive income | - | 77 | 344,239 | 344,316 |
| Distribution of profit to shareholders *[note 14]* | | | | |
| New Brunswick Lotteries and Gaming Corporation | - | - | (120,140) | (120,140) |
| Province of Newfoundland and Labrador | - | - | (114,149) | (114,149) |
| Nova Scotia Provincial Lotteries and Casino Corporation | - | - | (112,761) | (112,761) |
| Prince Edward Island Lotteries Commission | - | - | (15,645) | (15,645) |
| Total profit allocated to shareholders | - | - | (362,695) | (362,695) |
| Balance, end of year | $ 1 | $ (2,527) | $ (62,645) | $ (65,171) |

*See accompanying notes*

**ATLANTIC LOTTERY CORPORATION INC.**
**CONSOLIDATED STATEMENT OF CASH FLOWS**
**YEAR ENDED MARCH 31**
[In thousands of dollars]

| | | 2014 | | 2013 |
|---|---|---|---|---|
| **Cash provided by (used for)** | | | | |
| ***Operating activities*** | | | | |
| Net profit | $ | 368,437 | $ | 361,060 |
| Add non-cash items: | | | | |
| Depreciation and amortization *[notes 9 and 10]* | | 32,217 | | 29,339 |
| Loss on disposal of property and equipment | | 1,376 | | 1,868 |
| Impairment of long-lived assets *[notes 9 and 10]* | | 500 | | 3,636 |
| Increase in cash flow hedge | | (969) | | - |
| Other comprehensive income (loss) | | 23,145 | | (16,744) |
| | | 424,706 | | 379,159 |
| Net change in non-cash components of working capital *[note 24]* | | 15,392 | | (11,271) |
| Increase (decrease) in employee future benefits | | (22,737) | | 13,629 |
| | | 417,361 | | 381,517 |
| ***Investing activities*** | | | | |
| Purchase of property and equipment | | (17,776) | | (86,276) |
| Purchase of intangibles | | (14,564) | | (24,016) |
| Proceeds on disposal of property and equipment | | 1,148 | | 414 |
| | | (31,192) | | (109,878) |
| ***Financing activities*** | | | | |
| Decrease in line of credit | | (4,120) | | (18,326) |
| Proceeds of long-term debt | | 200,862 | | 267,829 |
| Repayment of long-term debt | | (218,966) | | (155,105) |
| Repayment of long-term lease payable | | (3,038) | | (2,932) |
| Increase (decrease) in other long-term liabilities | | (2,652) | | 555 |
| Dividends paid to shareholders | | (150) | | - |
| | | (28,064) | | 92,021 |
| Distribution to shareholders *[note 14]* | | (360,165) | | (362,695) |
| Increase (decrease) in cash | | (2,060) | | 965 |
| Cash, beginning of year | | 25,468 | | 24,503 |
| **Cash, end of year *[note 5]*** | $ | 23,408 | $ | 25,468 |

*See accompanying notes*

## 1. NATURE OF OPERATIONS

Atlantic Lottery Corporation Inc. ["the Corporation"] was incorporated under the *Canada Business Corporations Act* on September 3, 1976. The Corporation's shareholders are the New Brunswick Lotteries and Gaming Corporation, Province of Newfoundland and Labrador, Nova Scotia Provincial Lotteries and Casino Corporation, and Prince Edward Island Lotteries Commission. The registered office of the Corporation is located at 922 Main Street in Moncton, New Brunswick, Canada.

The profit of the Corporation is distributed twice monthly to each of the shareholders. The distribution to each province consists of the calculated profit in each province as determined by the Amended and Restated Unanimous Shareholders' Agreement.

The Corporation has been appointed to undertake, conduct and manage lotteries by and on behalf of the provinces of New Brunswick, Newfoundland and Labrador and Prince Edward Island. The Corporation has been appointed to operate lotteries in the province of Nova Scotia by the Nova Scotia Provincial Lotteries and Casino Corporation ["NSPLCC"].

The Corporation has entered into a formal operating agent agreement ["Agreement"] with NSPLCC that requires the Corporation to obtain the prior approval of NSPLCC before making certain changes related to lottery schemes in Nova Scotia. The Agreement provides that all assets acquired by the Corporation exclusively for the operation of lotteries in Nova Scotia are held by the Corporation in trust for and on behalf of NSPLCC, and that all liabilities incurred to acquire those assets are also the liabilities of NSPLCC. In the case of the Agreement being cancelled, the Corporation has a 24 month period to transfer all assets and liabilities related to the lottery schemes in Nova Scotia to NSPLCC. However, these assets and liabilities related to the Nova Scotia lottery activities are included on the Corporation's consolidated balance sheet, because NSPLCC does not have the intent to cancel the Agreement and therefore the Corporation's expectation is that the economic benefit of all the acquired assets will stay with the Corporation over their entire useful lives.

The Corporation has conduct and manage agent agreements with the provinces of New Brunswick, Newfoundland and Labrador and Prince Edward Island which include similar provisions. Also, these provinces currently do not have the intent to cancel the agreements and therefore all assets and liabilities related to the lottery operations in these provinces are also recorded with the same assumption in the Corporation's consolidated financial statements.

The Articles of Incorporation restrict the number of shareholders to four and any invitations to the public to subscribe for securities of the Corporation are prohibited. Because of these restrictions, the Corporation manages capital through working capital and debt to ensure sufficient liquidity to manage current and future operations. The acquisition of debt requires the approval of the Corporation's Board of Directors and NSPLCC.

The Corporation is also restricted under the *Gaming Control Acts* of each province for the management of prize funds. The Corporation is required to maintain cash on hand equivalent to the amount of prize liabilities outstanding.

## 2. SIGNIFICANT ACCOUNTING POLICIES

**Basis of preparation**

The consolidated financial statements of the Corporation for the year ended March 31, 2014 were authorized for issue by the Board of Directors on June 5, 2014.

## 2. SIGNIFICANT ACCOUNTING POLICIES [Continued]

**Basis of measurement**

These consolidated financial statements were prepared on a going concern basis, under the historical cost basis, except for derivative financial instruments that have been measured at fair value.

**Statement of compliance**

The consolidated financial statements of the Corporation and its subsidiaries [collectively, the “Corporation”] for the year ended March 31, 2014 have been prepared in accordance with International Financial Reporting Standards [“IFRS”] and interpretations adopted by the International Accounting Standards Board [“IASB”].

The Corporation’s consolidated financial statements for the periods up to and including the year ended March 31, 2011 were previously prepared based on Canadian generally accepted accounting principles.

**Functional and presentation currency**

The consolidated financial statements are presented in Canadian dollars, which is the Corporation’s functional currency. All dollar values are rounded to the nearest thousandth dollar ($’000), except for per share amounts.

**Basis of consolidation**

The consolidated financial statements include the accounts of the Corporation and its wholly owned subsidiaries, Atlantic Gaming Equipment Limited, 7865813 Canada Inc., and 8157154 Canada Inc. The financial statements of the subsidiaries are prepared for the same reporting period as the consolidated financial statements of the Corporation, using consistent accounting policies.

The subsidiaries are fully consolidated from the date of acquisition, being the date at which the Corporation obtains control, and continue to be consolidated until the date that such control ceases.

All intra-Corporation balances, transactions, income and expenses, and profits and losses, including dividends resulting from intra-Corporation transactions, are eliminated in full.

**Inventory**

Inventory consists of lottery tickets [Scratch’N Win and Breakopen], and food and beverage consumables. Inventory is valued at the lower of cost, determined on an average cost basis, and net realizable value. Costs incurred in bringing each product to its present location and condition are accounted for as purchase costs on an average cost basis.

**Property and equipment**

Property and equipment are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Historical cost includes expenditures that are directly attributable to the acquisition of the assets. Subsequent costs are included in an asset’s carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Corporation and the cost of the item can be measured reliably. All other repair and maintenance expenses are charged to the consolidated statement of operations as incurred. Borrowing costs related to the acquisition, construction or production of qualifying assets, are capitalized.

## 2. SIGNIFICANT ACCOUNTING POLICIES [Continued]

Land and assets not ready for use are not depreciated. Depreciation on other assets is charged to the consolidated statement of operations based on cost, less estimated residual value, on a straight-line basis over the estimated useful lives of the assets. The Corporation is using the following useful lives for the different asset categories:

| **Asset** | **Useful life** |
|---|---|
| Building | 10 to 50 years |
| Automotive | 3 to 4 years |
| Operational and gaming equipment | 2 to 15 years |
| Finance lease | Lease term |
| Leasehold improvements | Lease term |

If the costs of a certain component of property and equipment are significant in relation to the total cost of the item, these costs are accounted for and depreciated separately.

The assets' residual values, useful lives and methods of depreciation are reviewed annually, and adjusted prospectively, if appropriate.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of operations in the year the asset is derecognized.

Pre-opening costs are expensed to the consolidated statement of operations as incurred.

**Intangible assets**

**Intangible assets acquired separately**
Acquired intangible assets are primarily software, patents and licenses on technologies. Intangible assets acquired separately are carried at cost less accumulated amortization and impairment losses. Amortization is charged to the consolidated statement of operations on a straight-line basis over their estimated useful lives as follows:

| **Asset** | **Useful life** |
|---|---|
| Software licenses | 3 to 14 years |
| Computer software | 3 to 14 years |
| Gaming software | 3 to 7 years |
| Finance lease | Lease term |

The Corporation only has intangible assets acquired with a finite useful life. The estimated useful lives and amortization methods are reviewed at the end of each annual reporting period, with the effect of any changes in estimates being accounted for on a prospective basis. The amortization expense on intangible assets with finite lives is recognized in the consolidated statement of operations in the expense category consistent with the function of the intangible asset. Intangible assets not ready for use are not amortized.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of operations when the asset is derecognized.

## 2. SIGNIFICANT ACCOUNTING POLICIES [Continued]

**Internally generated intangible assets - research and development expenditures**
Expenditure on research activities is recognized as an expense in the period in which it is incurred. Development costs relating primarily to the development of new gaming or lottery software or internet web sites used for purposes of selling the Corporation's services are recognized as an intangible asset when the Corporation can demonstrate that the following conditions required by International Accounting Standards ("IAS") 38, *Intangible Assets* are met:

- the asset is identifiable and will generate expected future economic benefits; and
- the cost can be determined reliably.

The amount initially recognized for internally generated intangible assets is the sum of the acquisition and manufacturing costs that can be directly attributed to the development process as well as a reasonable portion of the development-related fixed costs. If the internally generated intangible asset does not meet the conditions of IAS 38, the development expenditure is recognized in profit or loss in the period during which it was incurred. Subsequent to initial recognition, internally generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses. Amortization of the asset begins when the development is complete and the asset is available for use. It is amortized over the period of expected future benefit on a straight-line basis. The current useful lives applied are as follows:

| Asset | Useful life |
|---|---|
| Software licenses | 3 to 14 years |
| Computer software | 3 to 14 years |
| Gaming software | 3 to 7 years |

During the period of development, the intangible asset is tested for impairment annually.

**Borrowing costs**
Borrowing costs directly attributable to the acquisition, construction or production of an asset that takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period during which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

The Corporation capitalized borrowing costs for all eligible assets where construction was commenced on or after April 1, 2010, as this is the Corporation's transition date to IFRS. The Corporation expensed borrowing costs relating to construction projects that commenced prior to April 1, 2010.

**Leases**
The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date: whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

**Corporation as a lessee**
Finance leases, which transfer to the Corporation substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the lower of fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in the consolidated statement of operations.

## 2. SIGNIFICANT ACCOUNTING POLICIES [Continued]

Leased assets are depreciated on the same basis as owned assets over the useful lives of the assets. However, if there is no reasonable certainty that the Corporation will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life and the lease term.

Operating lease payments are recognized as an expense in the consolidated statement of operations on a straight-line basis over the lease term.

**Impairment of financial assets**
The Corporation assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, the Corporation estimates the asset's fair market value. An asset's fair market value can be measured via recent market transactions or discounted cash flow model. If the fair market value is lower than the enterprise value of the asset, impairment of that amount exists.

Impairment losses are recognized in the consolidated statement of operations in those expense categories consistent with the function of the impaired asset.

**Impairment of non-financial assets**
The Corporation assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, the Corporation estimates the asset's recoverable amount. An asset's recoverable amount is the higher of the fair value of an asset or cash-generating unit ("CGU") less costs to sell, and its value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

Impairment losses are recognized in the consolidated statement of operations in those expense categories consistent with the function of the impaired asset.

For previously impaired assets, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Corporation estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of operations.

**Provisions**
Provisions are recognized when the Corporation has a present obligation (legal or constructive) as a result of a past event, and the costs to settle the obligation are both probable and able to be reliably measured. Where the Corporation expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of operations net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost. The Corporation has recorded provisions for sick leave and asset decommissioning.

## 2. SIGNIFICANT ACCOUNTING POLICIES [Continued]

**Pensions and other post-employment benefits**
The Corporation participates in a multiple-employer defined benefit contributory pension plan. The Corporation also provides certain post-employment healthcare benefits, long service awards, life insurance and ad-hoc supplementary pensions.

The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method. Actuarial gains and losses are recognized as income or expense in other comprehensive income immediately in the period when they occur.

The past service costs are recognized as an expense on a straight-line basis over the average period until the benefits become vested. If the benefits have already vested, immediately following the introduction of, or changes to, a pension plan, past service costs are recognized immediately.

The defined benefit asset or liability comprises the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds, as explained in note 18 less past service costs and (for the pension obligation) less the fair value of plan assets, out of which the obligations are to be settled. Plan assets are not available to the creditors of the Corporation, nor can they be paid directly to the Corporation. Fair value is based on market price information and, in the case of quoted securities, is the published bid price. The value of any defined benefit asset recognized is restricted to the sum of any past service costs and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

Effective April 1, 2013, the Corporation adopted the amended IAS 19, *Employee Benefits* standard. This standard requires that the interest component of the annual defined benefit cost be determined by applying the high quality corporate bond rate to the net defined benefit liability. Previously, this component of the annual defined benefit cost was determined by applying the high quality corporate bond rate to the gross defined benefit liability. Also, the expected return on plan assets, based on market expectations, was separately determined and offset against the annual benefit costs.

This change in accounting policy has been applied retrospectively in accordance with the standard's transitional provisions.

The impact of adopting this standard for the year ended March 31, 2013 is a decrease to net profit of $1,566 and an increase to other comprehensive income of $1,566.

**Financial instruments**
Initial recognition and measurement
The Corporation at initial recognition designates its financial assets either as (i) financial assets at fair value through profit or loss, (ii) loans and receivables, or as (iii) available for sale. Financial liabilities are classified as (i) fair value through profit or loss, (ii) financial liabilities at amortized cost, or as (iii) derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial instruments are initially measured at fair value plus, in the case of financial assets not recognized at fair value through profit or loss, directly attributable transaction costs.

The Corporation's financial assets include cash, restricted prize cash, accounts receivable, due from shareholders, and investments.

## 2. SIGNIFICANT ACCOUNTING POLICIES [Continued]

The Corporation's financial liabilities include line of credit, accounts payable and accrued liabilities, liabilities for unclaimed prizes, due to shareholders, long-term debt, long-term lease payable and other long-term liabilities, including derivative instruments.

Subsequent measurement of financial assets
The subsequent measurement of financial assets depends on their classification, as follows:

i. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Corporation that are not designated as hedging instruments in hedge relationships as defined by IAS 39, *Derivatives*, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments.

Financial assets at fair value through profit or loss are carried in the consolidated balance sheet at fair value with changes in fair value recognized in other expenses (income) or interest expense in the consolidated statement of operations.

The Corporation has not designated any financial assets upon initial recognition as at fair value through profit or loss.

ii. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method ("EIR"), less impairment. The losses arising from impairment are recognized in the consolidated statement of operations in depreciation and impairment expense.

Securities in this category include cash, restricted prize cash, accounts receivable, and due from shareholders.

iii. Available for sale

Securities classified as available for sale are non-derivative financial assets that are initially designated as available for sale or that are not classified in the fair value through profit or loss or loans and receivables categories.

Gains and losses resulting from changes in fair value, except for impairment losses are recognized in the consolidated statement of comprehensive income under net unrealized gains/(losses) on available for sale securities until the financial asset is derecognized.

Securities in this category include investments.

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when the rights to receive cash flows from the asset have expired or the Corporation has transferred its rights to receive cash flows from the asset.

## 2. SIGNIFICANT ACCOUNTING POLICIES [Continued]

<u>Impairment of financial assets</u>
The Corporation assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and, where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortized cost, the Corporation first assesses individually whether objective evidence of impairment exists, individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Corporation determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred).

<u>Subsequent measurement of financial liabilities</u>
The measurement of financial liabilities depends on their classification, as follows:

i. Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Corporation that are not designated as hedging instruments in hedge relationships as defined by IAS 39.

Gains or losses on liabilities held for trading are recognized in the consolidated statement of operations. The Corporation has not designated any financial liabilities upon initial recognition as at fair value through profit or loss.

ii. Financial liabilities at amortized cost

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in the consolidated statement of operations when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in other expenses (income) in the consolidated statement of operations.

## 2. SIGNIFICANT ACCOUNTING POLICIES [Continued]

Financial liabilities classified in this category include line of credit, accounts payable and accrued liabilities, liabilities for unclaimed prizes, due to shareholder, long-term debt, and long-term lease payable.

iii. Derivatives designated as hedging instruments in an effective hedge

The Corporation uses derivative financial instruments such as interest rate swaps to hedge its risks associated with interest rate fluctuations. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and is subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to net profit or loss for the year.

The fair value of interest rate swap contracts is determined by reference to market values for similar instruments. At the inception of a hedge relationship, the Corporation formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk.

Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Interest rate swaps when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or highly probable forecast transactions are classified as cash flow hedges. The effective portion of the gain or loss on the hedging instrument is recognized directly in other comprehensive income, while the ineffective portion is recognized in the consolidated statement of operations in other expenses (income).

Amounts taken to other comprehensive income are transferred to the consolidated statement of operations when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognized or when a forecast sale or purchase occurs.

If the forecasted transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognized in equity is transferred to the consolidated statement of operations. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognized in other comprehensive income remains in other comprehensive income until the forecast transaction or firm commitment affects profit or loss.

The Corporation uses interest rate swaps to hedge the volatility of variable interest payments to a fixed interest rate over the term of the respective debt.

Financial liabilities classified in this category include other long-term liabilities.

Current versus non-current classification

Derivative instruments that are not designated and effective hedging instruments are classified as current or non-current or separated into a current and non-current portion based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

## 2. SIGNIFICANT ACCOUNTING POLICIES [Continued]

- Where the Corporation will hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the reporting date, the derivative is classified as non-current (or separated into current and non-current portions) consistent with the classification of the underlying item.

- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistent with the classification of the underlying hedged item. The derivative instrument is separated into a current portion and non-current portion only if a reliable allocation can be made.

Derecognition
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of operations.

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount reported in the consolidated balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Fair value of financial instruments
The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

**Revenue recognition**
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Corporation and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, free tickets and pari-mutuel commissions. The Corporation assesses its revenue arrangements against specific criteria in order to determine if it is acting as the principal or agent. The Corporation has concluded that it is acting as principal in all of its revenue arrangements. In each of the revenue categories, the following specific recognition criteria must also be met before revenue is recognized:

Gross ticket sales

*Lottery revenue*
Lottery revenue and the corresponding direct expenses are recognized on the draw date. Receipts for lottery tickets sold before March 31 for draws held subsequent to that date are recorded as deferred revenue.

*Instant ticket revenue*
Revenue from instant ticket games and the corresponding direct expenses are recognized at the time of activation, which determines the transfer of legal ownership to the retailer.

## 2. SIGNIFICANT ACCOUNTING POLICIES [Continued]

*Interactive revenue*
Revenue from interactive games and the corresponding direct expense are recognized at the time of play.

Net video lottery receipts
Revenue from video lottery and the corresponding direct expenses are recognized at the time of play and are recorded net of credits paid out.

Entertainment centre revenue
Entertainment centre revenue includes receipts from electronic gaming devices, recorded net of credits paid out at the time of play, table games recorded net of payouts at the time of play, and restaurant sales.

The Corporation operates a loyalty points program at its Entertainment centre, which allows players to accumulate points at the time of play. The points can then be redeemed for products. Consideration received is allocated between the Entertainment centre revenue and the points issued, with the consideration allocated to the points equal to their fair value. The fair value of the points is determined by applying statistical analysis. The fair value of the points issued is deferred and recognized as revenue when the points are redeemed.

**Prize expense**
Prize expense for draw-based games is recorded based on the actual prize liability experienced for each online game at the time of the draw. All obligations for prizes from these drawings are recorded as liabilities for unclaimed prizes on the consolidated balance sheet.

Instant ticket prizes are recognized as a percentage of ticket sales in line with the theoretical prize payout for that game.

Video lottery and interactive game prizes are based on the actual prizes won for each individual game, at the point at which the sale occurs.

In addition to cash prizes, the Corporation also awards free tickets. The value ascribed to these prizes is equal to the sale price.

**Interest income**
For all financial instruments measured at amortized cost, interest income or expense is recorded using the effective interest rate, which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in other income in the consolidated statement of operations.

**Sales tax**
As a prescribed registrant, the Corporation makes GST/HST remittances to the Federal Government pursuant to the Games of Chance Regulations of the *Excise Tax Act*. The Corporation's net tax for a reporting period is calculated using net tax attributable to both gaming and non-gaming activities. The net tax attributable to gaming activities results in a tax burden of two times the GST/HST rate on most taxable gaming expenditures incurred by the Corporation *[note 22]*. HST is paid in New Brunswick, Newfoundland and Labrador, Nova Scotia, and Prince Edward Island at their respective HST rates.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated balance sheet.

**Income tax**
The Corporation is owned by the four Atlantic Provincial Governments and is exempt from income tax.

## 2. SIGNIFICANT ACCOUNTING POLICIES [Continued]

**Payments to the Government of Canada**
Under federal/provincial agreements, the Government of Canada agreed to withdraw from the sale of lottery tickets and to refrain from re-entering the field of gaming and betting. In consideration, all provinces and territories of Canada pay $24,000 annually, in 1979 dollars, adjusted by the consumer price index each year *[note 21]*.

## 3. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the Corporation's consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts recognized in the consolidated financial statements of the Corporation are discussed below.

**Determination of useful lives for tangible and intangible assets**
The Corporation has based the determination of the useful lives for its tangible and intangible assets on a detailed review of all empirical data for the different asset classes and also used the knowledge of the appropriate operations people to conclude on the useful lives. Furthermore, the Corporation at least annually updates if the current applied useful lives are still valid for the different asset classes. Any external or internal changes in the Corporation's environment may result in an impact on the expectation of the useful lives of certain assets and hence a triggering event to reconsider the expectation of the useful lives.

**Impairment of financial assets**
Impairment exists when the enterprise value of an asset exceeds its fair market value. Fair market value can be measured via recent market transactions or discounted cash flow model. The cash flows are derived from the budget for the next five years. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

**Impairment of non-financial assets**
Impairment exists when the carrying value of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Corporation is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the different CGU, including a sensitivity analysis, are further explained in notes 9 and 10.

**Employee future benefits**
The cost of defined benefit pension plans and other post-employment benefits and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rate, future salary increases, mortality rates, the return on the investment in the plan assets and future pension increases. Due to the complexity of the valuation, the underlying

## 3. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS [Continued]

assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Further details about the assumptions used are given in note 18.

**Development costs**
Development costs are capitalized in accordance with the accounting policy in note 2 "Intangible assets". Initial capitalization of costs is based on management's judgment that technological and economical feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalized, management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefits. As at March 31, 2014, the amount of capitalized development costs was $12,822 [2013 - $15,555].

Capitalized development costs are primarily for the customization, implementation and testing of new gaming software solutions and of web sites offering to the Corporation's customers information about games, but also to place an order on the web site resulting in revenue for the Corporation. During the development of these new gaming software solutions and the revenue orientated web sites, there is some uncertainty, if these tools will be finally accepted by the market and will generate sufficient revenue. However, based on the Corporation's market research and review of other markets where these or similar solutions were already implemented, the Corporation's management is confident that the capitalized development costs will result in sufficient future benefits to cover the capitalized costs.

**Fair value of financial instruments**
Where the fair value of financial assets and financial liabilities (especially derivative financial instruments like interest rate swaps) recorded on the consolidated balance sheet cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

**Revenue recognition – Player Loyalty Program**
The Corporation estimates the fair value of points awarded under the Player Loyalty Program by applying statistical techniques. Inputs to the models include making assumptions about expected redemption rates, the mix of products that will be available for redemption in the future and customer preferences. Points issued under the program have a one year expiration period. As at March 31, 2014, the estimated liability for unredeemed points was approximately $6 [2013 - $8].

## 4. STANDARDS ISSUED BUT NOT YET EFFECTIVE

Standards issued but not yet effective up to the date of issuance of the Corporation's consolidated financial statements are listed below. This listing of standards and interpretations issued are those that the Corporation reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Corporation intends to adopt these standards when they become effective.

IFRS 9, *Financial Instruments*
IFRS 9 will replace IAS 39. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an

## 4. STANDARDS ISSUED BUT NOT YET EFFECTIVE [Continued]

entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. For hedge accounting, IFRS 9 uses an objectives-based test to determine hedge effectiveness, amends how the risk component may be designated as the hedged item and changes the accounting for certain costs that can be excluded from the designation of a financial instrument as a hedging item. The Corporation is currently evaluating the impact of IFRS 9 on its future financial statements. IFRS 9 was issued by the IASB in November 2009 with amendments, primarily relating to hedge accounting, issued in November 2013. Due to the IASB's continued work on the impairment phase of this standard, there is no mandatory effective date for applying IFRS 9, although the standard is available for application now. A mandatory effective date for the full standard will be issued when the impairment phase of the IFRS 9 review is completed. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Corporation's financial assets, but will potentially have no impact on classification and measurements of financial liabilities. The Corporation will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

IAS 32, *Financial Instruments: Presentation*
IAS 32 has been amended to state that a company must have a legally enforceable right to offset net financial assets and liabilities in their financial statements. The Corporation has evaluated the impact of IAS 32 and has determined that the adoption of this standard is unlikely to have a material effect on the Corporation's future financial statements. The amendment to IAS 32 was issued by the IASB in March 2009 and is effective for years beginning on or after January 1, 2014.

## 5. CASH

Cash is represented by cash on hand and bank balances, less outstanding cheques.

| | **2014** | 2013 |
|---|---|---|
| Cash | **$ 2,660** | $ 5,127 |
| Restricted prize cash | **20,748** | 20,341 |
| Total cash | **$ 23,408** | $ 25,468 |

Pursuant to provincial regulations the Corporation maintains restricted cash accounts in an amount equivalent to current game liabilities. Withdrawals from these accounts are restricted to payment of prizes *[note 13]*.

Funds held for alc.ca wallets represent funds provided to the Corporation through player wallets on alc.ca. These amounts are deposited into a separate bank account and are internally restricted by the Corporation exclusively for funding the alc.ca wallet liability. The Corporation has a cash balance of $702 [2013 - $626] to fund player wallets.

## 6. ACCOUNTS RECEIVABLE

| | **2014** | 2013 |
|---|---|---|
| Lottery retailers | **$16,734** | $16,877 |
| Taxes receivable | **688** | 6,670 |
| Other | **3,651** | 3,296 |
| Total accounts receivable | **$ 21,073** | $ 26,843 |

Lottery retailers' receivables are collected on a weekly basis. The Corporation had bad debt expense of $66 [2013 - $45] related to lottery retailer receivables.

## 7. INVENTORY

| | **2014** | 2013 |
|---|---|---|
| Ticket stock | **$7,037** | $7,499 |
| Food and beverage | **123** | 114 |
| Total inventory | **$ 7,160** | $ 7,613 |

During the year, the Corporation recorded inventory write-offs in the amount of $327 [2013 - $604].

## 8. INVESTMENT

The Corporation maintains an equity interest in Geonomics Global Games Limited (previously named Roboreus Limited), a privately-owned UK based internet gaming vendor. The investment is classified as available for sale and is being carried at cost as there is no quoted price in an active market and fair value cannot be reliably measured.

## 9. PROPERTY AND EQUIPMENT

| | Land | Building | Automotive | Operational and gaming equipment | Finance lease | Leasehold improvements | Not ready for use | Total |
|---|---|---|---|---|---|---|---|---|
| Cost or valuation: | | | | | | | | |
| **As at March 31, 2012** | $ 1,807 | $ 22,160 | $ 3,180 | $ 170,925 | $ 5,120 | $ 7,345 | $ 9 | $ 210,546 |
| Additions | - | 5 | 753 | 57,587 | - | 1,093 | 27,204 | 86,642 |
| Transfers | - | 1 | - | (3,822) | - | 1,806 | (2,362) | (4,377) |
| Disposals | - | - | (1,275) | (351) | - | (828) | - | (2,454) |
| **As at March 31, 2013** | 1,807 | 22,166 | 2,658 | 224,339 | 5,120 | 9,416 | 24,851 | 290,357 |
| **Additions** | **-** | **21** | **-** | **8,542** | **-** | **13** | **9,200** | **17,776** |
| **Transfers** | **-** | **-** | **-** | **3,686** | **-** | **-** | **(3,037)** | **649** |
| **Disposals** | **-** | **(126)** | **(617)** | **(73,928)** | **-** | **-** | **-** | **(74,671)** |
| **As at March 31, 2014** | **$1,807** | **$22,061** | **$ 2,041** | **$ 162,639** | **$5,120** | **$ 9,429** | **$31,014** | **$234,111** |
| | | | | | | | | |
| Depreciation and impairment: | | | | | | | | |
| **As at March 31, 2012** | $ - | $ 7,394 | $ 1,446 | $ 132,829 | $ 2,275 | $ 5,555 | $ - | $ 149,499 |
| Depreciation for the year | - | 937 | 451 | 12,990 | 1,366 | 608 | - | 16,352 |
| Impairment | - | - | - | 196 | - | - | - | 196 |
| Transfers | - | - | - | (536) | - | 363 | - | (173) |
| Disposals | - | - | (901) | (305) | - | (795) | - | (2,001) |
| **As at March 31, 2013** | - | 8,331 | 996 | 145,174 | 3,641 | 5,731 | - | 163,873 |
| **Depreciation for the year** | **-** | **922** | **457** | **17,093** | **1,365** | **618** | **-** | **20,455** |
| **Impairment** | - | - | - | - | - | - | - | - |
| **Transfers** | - | - | - | - | - | - | - | - |
| **Disposals** | **-** | **(96)** | **(421)** | **(71,794)** | **-** | **-** | **-** | **(72,311)** |
| **As at March 31, 2014** | **$ -** | **$ 9,157** | **$ 1,032** | **$ 90,473** | **$5,006** | **$ 6,349** | **$ -** | **$112,017** |
| | | | | | | | | |
| **Net book value:** | | | | | | | | |
| **As at March 31, 2014** | **$1,807** | **$12,904** | **$ 1,009** | **$ 72,166** | **$ 114** | **$ 3,080** | **$31,014** | **$122,094** |
| As at March 31, 2013 | $ 1,807 | $ 13,835 | $ 1,662 | $ 79,165 | $ 1,479 | $ 3,685 | $ 24,851 | $ 126,484 |
| As at March 31, 2012 | $ 1,807 | $ 14,766 | $ 1,734 | $ 38,096 | $ 2,845 | $ 1,790 | $ 9 | $ 61,047 |

During the year, the Corporation carried out a review of the recoverable amount of assets, there was no impairment identified [2013 - $196]. The recoverable amount was measured by a comparison of the carrying amount of an asset to estimated future cash flows expected to be generated by the CGU. The discount rate utilized was 2.5% per annum [2013 - 2.5%].

As at March 31, 2014, assets classified as not ready for use were strictly related to gaming equipment.

Assets classified as finance lease are comprised of computer hardware and software under long-term lease disclosed in note 16.

## 10. INTANGIBLES

| | Software licenses | Computer software | Gaming software | Finance lease | Not ready for use | Total |
|---|---|---|---|---|---|---|
| Cost: | | | | | | |
| **As at March 31, 2012** | $ 61,103 | $ 4,338 | $ 16,193 | $ 6,762 | $ 9,032 | $ 97,428 |
| Additions | 575 | 15 | 8,095 | 366 | 14,965 | 24,016 |
| Transfers | 5,393 | - | 4,301 | - | (5,395) | 4,299 |
| Disposals | (638) | - | - | - | (1,705) | (2,343) |
| **As at March 31, 2013** | 66,433 | 4,353 | 28,589 | 7,128 | 16,897 | 123,400 |
| **Additions** | **381** | **31** | **1,742** | **-** | **12,410** | **14,564** |
| **Transfers** | **(33)** | **1,978** | **215** | **-** | **(2,809)** | **(649)** |
| **Disposals** | **-** | **(1,252)** | **(1,116)** | **-** | **(69)** | **(2,437)** |
| **As at March 31, 2014** | **$ 66,781** | **$ 5,110** | **$ 29,430** | **$ 7,128** | **$ 26,429** | **$ 134,878** |
| | | | | | | |
| Amortization and impairment | | | | | | |
| **As at March 31, 2012** | $ 31,689 | $ 2,544 | $ 13,501 | $ 2,275 | $ 1,118 | $ 51,127 |
| Amortization | 8,695 | 320 | 2,390 | 1,582 | - | 12,987 |
| Impairment (recovery) | 3,808 | - | - | - | (368) | 3,440 |
| Transfers | - | - | 93 | - | - | 93 |
| Disposals | (512) | - | - | - | - | (512) |
| **As at March 31, 2013** | 43,680 | 2,864 | 15,984 | 3,857 | 750 | 67,135 |
| **Amortization** | **6,863** | **483** | **2,500** | **1,582** | **-** | **11,428** |
| **Impairment (recovery)** | **-** | **-** | **-** | **-** | **500** | **500** |
| **Transfers** | **(845)** | **845** | **-** | **-** | **-** | **-** |
| **Disposals** | **-** | **(1,205)** | **(734)** | **-** | **-** | **(1,939)** |
| **As at March 31, 2014** | **$ 49,698** | **$ 2,987** | **$ 17,750** | **$ 5,439** | **$ 1,250** | **$ 77,124** |
| **Net book value:** | | | | | | |
| **As at March 31, 2014** | **$ 17,083** | **$ 2,123** | **$ 11,680** | **$ 1,689** | **$ 25,179** | **$ 57,754** |
| As at March 31, 2013 | $ 22,753 | $ 1,489 | $ 12,605 | $ 3,271 | $ 16,147 | $ 56,265 |
| As at March 31, 2012 | $ 29,414 | $ 1,794 | $ 2,692 | $ 4,487 | $ 7,914 | $ 46,301 |

The above includes internally developed additions of $986 [2013 - $969], transfers of nil [2013 - nil], impairments of nil [2013 - $140], and disposals of ($269) [2013 - ($635)].

During the year, the Corporation carried out a review of the recoverable amount of intangibles which led to the recognition of an impairment loss of $500 [2013 - $3,440]. The recoverable amount was measured by a comparison of the carrying amount of an asset to estimated future cash flows expected to be generated by the CGU. The discount rate utilized was 2.5% per annum [2013 - 2.5%].

## 10. INTANGIBLES [Continued]

Assets classified as not ready for use are directly related to software licenses and video lottery software.

The Corporation capitalizes internal salary expenditures related to implementation and testing of new gaming software solutions and internet websites for the sale of new customer products.

During the year, the Corporation recorded capitalized borrowing costs amounting to $520 [2013 - $461] at a rate of 1.94% [2013 - 1.94%].

Amortization includes $2,500 [2013 - $2,390] for video lottery software, included in other direct costs.

## 11. LINE OF CREDIT

The Corporation has available a $125,000 line of credit, which bears interest at prime less 0.50%, and charges a standby fee on the daily unadvanced portion of the credit facility at a rate of 0.1% per annum.

Included in interest expense is $385 [2013 - $522] relating to line of credit.

## 12. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| | | **2014** | 2013 |
|---|---|---|---|
| Trade payables and accruals | **$** | **24,221** | $15,260 |
| Salaries payable | | **4,554** | 5,286 |
| Taxes payable | | **3,138** | - |
| Asset decommissioning provision | | **224** | 1,064 |
| Player payable | | **581** | 541 |
| Total accounts payable and accrued liabilities | **$** | **32,718** | $22,151 |

## 13. LIABILITIES FOR UNCLAIMED PRIZES

| | **2014** | 2013 |
|---|---|---|
| Unclaimed prizes | | |
| Current prizes | **$ 20,745** | $ 20,341 |
| Special prize fund | **3** | - |
| | **$ 20,748** | $ 20,341 |

| | | **2014** | | 2013 |
|---|---|---|---|---|
| Special prize fund | | | | |
| Balance, beginning of year | **$** | **-** | $ | - |
| Unclaimed prizes expired during year | | **5,514** | | 6,211 |
| Prize payouts | | **(5,511)** | | (6,211) |
| Balance, end of year | **$** | **3** | $ | - |

## 13. LIABILITIES FOR UNCLAIMED PRIZES [Continued]

Unclaimed prizes from regional lottery games are retained in a prize fund for 12 months from the announced beginning date of the draw and sports games are retained in a prize fund for 744 days from the date of purchase of the ticket. Unclaimed prizes remaining after the respective periods are transferred to a special prize fund and are recorded as a reduction to prize expense and/or used for prizes in subsequent draws. Prizes of national lottery games are funded by the Interprovincial Lottery Corporation, with the exception of prizes for certain free tickets, which are paid out of general prize funds as incurred.

Scratch'N Win prizes do not have an expiry period. Based on historical records, the Corporation has determined that minimal prizes are claimed after 36 months from the date of launch of the game. All unclaimed prizes from Scratch'N Win lottery games are retained in a prize fund for 36 months from the date of launch of the game. Unclaimed prizes remaining after the 36 month claiming period are transferred to a special prize fund and are recorded as a reduction to prize expense and/or used for prizes in subsequent draws. Unclaimed prizes of national games are administered by the Interprovincial Lottery Corporation.

## 14. DUE TO/FROM SHAREHOLDERS

The amount due to (from) shareholders relates to the profit earned for the year, not yet paid (received).

| | | | **2014** | | |
|---|---|---|---|---|---|
| | **Profit earned** | **Profit withheld** | **Profit distributed** | **Profit paid** | **Profit payable (receivable)** |
| New Brunswick Lotteries and Gaming Corporation | **$ 119,755** | **$ 2,184** | **$ 117,571** | **$ 116,801** | **$ 771** |
| Province of Newfoundland and Labrador | **122,744** | **2,152** | **120,592** | **118,429** | **2,163** |
| Nova Scotia Provincial Lotteries and Casino Corporation | **110,573** | **2,779** | **107,794** | **105,745** | **2,049** |
| Prince Edward Island Lotteries Commission | **15,315** | **1,107** | **14,208** | **14,295** | **(87)** |
| | **$ 368,387** | **$ 8,222** | **$ 360,165** | **$ 355,269** | **$ 4,896** |

| | | | 2013 | | |
|---|---|---|---|---|---|
| | Profit earned | Profit withheld | Profit distributed | Profit paid | Profit payable (receivable) |
| New Brunswick Lotteries and Gaming Corporation | $ 120,140 | $ - | $ 120,140 | $ 118,752 | $ 1,388 |
| Province of Newfoundland and Labrador | 114,149 | - | 114,149 | 112,088 | 2,061 |
| Nova Scotia Provincial Lotteries and Casino Corporation | 112,761 | - | 112,761 | 111,991 | 770 |
| Prince Edward Island Lotteries Commission | 15,645 | - | 15,645 | 15,454 | 191 |
| | $ 362,695 | $ - | $ 362,695 | $ 358,285 | $ 4,410 |

Since 2007 the Corporation has been making supplemental payments to the pension plan to reduce the pension plan solvency deficit. The supplemental payments were being funded by the Corporation via debt because the Corporation retains no retained earnings. The Corporation began withholding a portion of monthly profit distributions to shareholders in 2014 to fund the supplemental payments. The withholdings are scheduled until 2019 when the pension solvency deficit is expected to be eliminated and supplemental payments discontinued. Upon transition to IFRS a retained earnings deficit was created. The deficit will be eliminated through the withholding of profit for the purpose of funding the supplemental pension payments.

## 14. DUE TO/FROM SHAREHOLDERS [Continued]

The withholdings are allocated among the shareholders based on the provincially allocated pension expense during the period of 2007-2010 to align with the time period in which the deficit arose. During the year ended March 31, 2014, the Corporation withheld profit of $8,222 [2013 - nil].

## 15. LONG-TERM DEBT

| | 2014 | 2013 |
|---|---|---|
| Bank term loan, amortized over 84 months, repayable in monthly installments of $1,200, bearing variable interest rates based on 30-day Bankers' Acceptances, hedged by fixed interest rate swaps bearing interest rates at 1.94%, maturing in December 2019. | **$ 91,065** | $ 105,773 |
| Bank term loan, amortized over 55 months, repayable in monthly installments of $1,400, bearing variable interest rates based on 30-day Bankers' Acceptances, hedged by fixed interest rate swaps bearing interest rates at 2.58%, maturing in October 2015. | **28,561** | 46,105 |
| Bank term loan, amortized over 20 years, repayable in monthly installments of $71 plus interest, bearing variable interest rates based on 30 day Bankers' Acceptances, hedged by a fixed interest rate swap bearing interest at 5.13%, maturing in August 2016 and a fixed interest rate swap bearing interest at 2.88%, beginning August 2016 and maturing August 2026. | **10,539** | 11,391 |
| Bankers' Acceptance, maturing on June 16, 2014, bearing interest at 1.83%. | **40,000** | - |
| Bankers' Acceptance, maturing on June 16, 2014, bearing interest at 1.83%. | **8,681** | - |
| Bankers' Acceptance, maturing on June 19, 2013, bearing interest at 1.34%. | **-** | 25,000 |
| Bankers' Acceptance, maturing on April 19, 2013, bearing interest at 1.25%. | **-** | 8,681 |
| | **178,846** | 196,950 |
| Current portion of long-term debt | **82,519** | 66,785 |
| | **$ 96,327** | $ 130,165 |

Long-term debt is reduced by established monthly payments. Payments over the next 12 months are disclosed in the current portion of long-term debt.

## 15. LONG-TERM DEBT [Continued]

The aggregate maturities of long-term debt for each of the five years subsequent to March 31, 2014 are approximately as follows: 2015 - $82,519; 2016 - $26,819; 2017 - $16,456; 2018 - $16,776; and 2019 - $17,156.

Included in interest expense is $3,718 [2013 - $2,826] relating to long-term debt.

The Corporation has a debt covenant limiting cash payments to shareholders to be less than or equivalent to profit earned. The Corporation is in compliance with this covenant. No assets have been pledged as security for the above debt.

## 16. LONG-TERM LEASE PAYABLE

| | **2014** | 2013 |
|---|---|---|
| Lease of computer hardware payable in monthly installments of $6 including interest at an imputed rate of 3.5% until June 2017. | **$ 232** | $ 300 |
| Lease of computer hardware payable in monthly installments of $121 including interest at an imputed rate of 3.5% until April 2014. | **75** | 1,500 |
| Lease of computer software payable in monthly installments of $109 including interest at an imputed rate of 3.5% until July 2014. | **500** | 1,764 |
| Lease of computer software payable in monthly installments of $27 including interest at an imputed rate of 4.17% until June 2017. | **1,013** | 1,294 |
| | **1,820** | 4,858 |
| Current portion of long-term lease | **938** | 3,038 |
| | **$ 882** | $1,820 |

The aggregate payment of long-term lease payable for each of the five years subsequent to March 31, 2014 are approximately as follows: 2015 - $938; 2016 - $378; 2017 - $393, 2018 - $111; and 2019 - nil.

Included in interest expense is an amount of $120 [2013 - $227] related to software and hardware under capital lease.

## 17. CASH FLOW HEDGE

**Derivatives not designated as hedging instruments**
The Corporation does not use derivative contracts to manage transaction exposures.

**Cash flow hedges**
The Corporation holds 4 bank term loans bearing variable interest rates based on 30 day Bankers' Acceptances, hedged by fixed interest rate swaps. The interest rate swap has the same terms as the loan agreement to realize an effective hedge situation and therefore is not expected to impact the consolidated statement of operations. There

## 17. CASH FLOW HEDGE [Continued]

were no highly probable transactions for which hedge accounting has been claimed that have not occurred and no significant element of hedge ineffectiveness requiring recognition in the consolidated statement of operations.

During the year ended March 31, 2014, the Corporation recorded the fair value of its cash flow hedges as a non-current asset of $969, while the effective portion of the hedging derivative was recognized in other comprehensive income (loss). During the year ended March 31, 2013, the Corporation recorded the fair value of its cash flow hedges as a long-term liability of $2,526.

## 18. EMPLOYEE FUTURE BENEFITS

**Pension benefits**

The Corporation participates in a multi-employer defined benefit contributory pension plan. Benefits of the pension plan are based on employees' length of service and the average of the 60 consecutive months of highest pensionable earnings prior to termination or retirement. The Corporation's share of the multi-employer plan assets and the related accrued benefit obligation have been actuarially measured for accounting purposes as at March 31, 2014 using the projected benefit method prorated on service and management's best estimate of expected plan performance, salary escalation and retirement ages of employees.

The most recent actuarial valuation for funding purposes was performed as at December 31, 2010 by Mercer, a firm of consulting actuaries. This valuation disclosed an unfunded liability of $4,086 for affected members of the wind-up and $6,511 for non-affected members for the entire plan [2009 - $30,159 for all] of which the Corporation is one of the participating employers. Pursuant to the Act, the Corporation will pay its share of special payments, on average $8,000 annually, into the Plan in addition to the employer contribution for current service cost. These payments will continue until 2018 or until the benefits under the Act are fully funded as determined by an actuarial valuation whichever comes first. The additional amount paid during the fiscal year ended March 31, 2014 was $7,857 [2013 - $7,657].

**Other post-employment benefits**

The Corporation also sponsors the following post-employment benefits:

1. Long-service award which covers all employees of the Corporation who retire from active service. The award is one week of pay for each year of service [up to a maximum of 25] based on earnings at retirement.
2. Extended health and dental benefits.
3. Life insurance and ad-hoc supplementary pensions.

The most recent actuarial valuation of the other post-employment benefits liabilities was conducted as at March 31, 2010 and those results were extrapolated to March 31, 2014. Actuarial reports are prepared based on projections of employees' compensation levels to the time of retirement and future health care costs based on management's best estimate.

**Sick leave**

The Corporation offers its employees accumulation of unused sick leave days that the employees can use in later annual periods. The Corporation has provided for the cumulated sick leave days for which past empirical data of the usage of such days and the resulting future cash outflow are probable. Included in the individual costs for a sick leave day are all annual payroll costs of the respective employee divided by the average number employment days per annum. A provision totaling $656 [2013 - $650] is recorded and is included as part of other post-employment benefits.

## 18. EMPLOYEE FUTURE BENEFITS [Continued]

Information about the Corporation's employee future benefits as at March 31, in aggregate, is as follows:

| | Defined benefit pension plan - Corporation's share | | Other post-employment benefits (unfunded) | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| **Change in defined benefit obligation** | | | | |
| Balance, beginning of year | **$ 146,955** | $ 121,396 | **$ 13,440** | $ 11,007 |
| Current service cost (employer portion) | **4,895** | 5,296 | **921** | 758 |
| Interest expense | **6,477** | 6,039 | **570** | 560 |
| Cash flows | | | | |
| Benefits paid | **(6,029)** | (5,978) | **(898)** | (258) |
| Employees' contributions | **2,216** | 2,285 | **-** | - |
| Remeasurements | | | | |
| Effect of changes in demographic assumptions | **8,525** | - | **509** | - |
| Effect of changes in financial assumptions | **(16,165)** | 17,917 | **(941)** | 1,373 |
| Effect of experience adjustments | **(812)** | - | **323** | - |
| Balance, end of year | **$ 146,062** | $ 146,955 | **$ 13,924** | $ 13,440 |
| **Change in fair value of plan assets** | | | | |
| Balance, beginning of year | **$ 109,405** | $ 95,075 | **$ -** | $ - |
| Interest income | **5,062** | 5,023 | | |
| Return on plan assets (excluding interest income) | **11,089** | 2,469 | **-** | - |
| Cash flows | | | | |
| Employer contributions | **10,415** | 10,951 | **898** | 258 |
| Employees' contributions | **2,216** | 2,285 | | |
| Benefits paid | **(6,029)** | (5,978) | **(898)** | (258) |
| Administrative expense paid from plan assets | **(420)** | (420) | **-** | - |
| Balance, end of year | **$ 131,738** | $ 109,405 | **$ -** | $ - |
| **Amounts recognized in the consolidated balance sheet** | | | | |
| Defined benefit obligation ["DBO"] | **$ 146,062** | $ 146,955 | **$ 13,924** | $ 13,440 |
| Fair value of plan assets | **131,738** | 109,405 | **-** | - |
| Funded status | **14,324** | 37,550 | **13,924** | 13,440 |
| Effect of asset ceiling/onerous liability | **-** | - | **-** | - |
| Net liability | **$ 14,324** | $ 37,550 | **$ 13,924** | $ 13,440 |

## 18. EMPLOYEE FUTURE BENEFITS [Continued]

| | Defined benefit pension plan - Corporation's share | | Other post-employment benefits (unfunded) | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| **Components of defined benefit cost** | | | | |
| Service cost | **$ 4,895** | $ 5,296 | **$ 921** | $ 758 |
| Net interest cost | | | | |
| Interest expense on DBO | **6,477** | 6,039 | **570** | 560 |
| Interest (income) on plan assets | **(5,062)** | (5,023) | **-** | - |
| Total net interest cost | **1,415** | 1,016 | **570** | 560 |
| Remeasurement of other long term benefits | **-** | - | **-** | - |
| Administrative expenses on taxes | **420** | 420 | **-** | - |
| Defined benefit cost included in Statement of Operations ["Stmt. Ops."] | **6,730** | 6,732 | **1,491** | 1,318 |
| Remeasurements | | | | |
| Effect of changes in demographic assumptions | **8,525** | - | **509** | - |
| Effect of changes in financial assumptions | **(16,165)** | 17,917 | **(941)** | 1,373 |
| Effect of experience adjustments | **(812)** | - | **323** | - |
| (Return) on plan assets (excluding interest income) | **(11,089)** | (2,469) | **-** | - |
| Total remeasurements included in other comprehensive income ["OCI"] | **(19,541)** | 15,448 | **(109)** | 1,373 |
| Total defined benefit cost recognized in Stmt. Ops and OCI | **$ (12,811)** | $ 22,180 | **$ 1,382** | $ 2,691 |
| | | | | |
| **Net defined benefit liability (asset) reconciliation** | | | | |
| Net defined benefit liability | **$ 37,550** | $ 26,321 | **$ 13,440** | $ 11,007 |
| Defined benefit cost included in Stmt. Ops. | **6,730** | 6,732 | **1,491** | 1,318 |
| Total remeasurements included in OCI | **(19,541)** | 15,448 | **(109)** | 1,373 |
| Cash flows | | | | |
| Employer contributions | **(10,415)** | (10,951) | **(898)** | (258) |
| Net defined benefit liability as of end of year | **$ 14,324** | $ 37,550 | **$ 13,924** | $ 13,440 |
| | | | | |
| **Significant assumptions** | | | | |
| **Benefit obligation** | | | | |
| Discount rate | **4.70%** | 4.50% | **4.59%** | 4.28% |
| Rate of salary increase | **3.70%** | 4.00% | **3.70%** | 4.00% |
| Rate of price inflation | **2.20%** | 2.50% | **-** | - |
| Rate of pension increase | **-** | - | **2.20%** | 2.50% |
| **Defined benefit cost** | | | | |
| Discount rate | **4.50%** | 5.10% | **4.28%** | 4.97% |
| Rate of salary increase | **4.00%** | 4.00% | **4.00%** | 4.00% |
| Rate of price inflation | **2.50%** | 2.50% | **-** | - |
| Rate of pension increase | **-** | - | **2.50%** | 2.50% |

## 18. EMPLOYEE FUTURE BENEFITS [Continued]

The following table demonstrates the Corporation's sensitivity to a reasonably possible change in the significant assumptions used to determine the defined benefit obligation:

| | Change in discount rate | Weighted average duration of defined benefit obligation | 2014 |
|---|---|---|---|
| Effect on net defined benefit obligation | + 0.5% | 22 years | $ 163,084 |
| Effect on net defined benefit obligation | - 0.5% | 21 years | $ 131,337 |

| | Change in inflation rate | 2014 |
|---|---|---|
| Effect on net defined benefit obligation | + 0.5% | $ 130,325 |
| Effect on net defined benefit obligation | - 0.5% | $ 164,171 |

| | Change in mortality | 2014 |
|---|---|---|
| Effect on net defined benefit obligation | -1 year setback | $ 149,118 |
| Effect on net defined benefit obligation | + 1 year setback | $ 142,961 |

The sensitivity analyses above have been determined based on a method that extrapolates the impact on the net defined benefit obligation as at March 31, 2014 as a result of reasonable changes in key assumptions.

## 19. PROVISIONS

**Decommissioning**

The Corporation records the fair value of a decommissioning provision in the year during which it is incurred and can be reasonably estimated. This provision is associated with the retirement of tangible long-lived assets that result from the acquisition, construction, development and/or normal use of the assets. The Corporation also records a corresponding asset that is amortized over the life of the asset. Decommissioning provisions are classified as current if the useful life will expire in the next fiscal year and as a long-term asset if the useful lives extend beyond the next fiscal year. Provisions have been recorded for gaming equipment in the amount of $730 [2013 - $1,064]. The provision is classified as a current payable of $224 [2013 - $432] and a long-term liability of $506 [2013 - $632].

## 20. SHARE CAPITAL

Authorized and issued on incorporation is one common share to each of the provinces or their agencies for cash consideration of one hundred dollars per share.

## 21. PAYMENTS TO THE GOVERNMENT OF CANADA

Under federal/provincial agreements, the Government of Canada agreed to withdraw from the sale of lottery tickets and to refrain from re-entering the field of gaming and betting. In consideration, all provinces and territories of

## 21. PAYMENTS TO THE GOVERNMENT OF CANADA [Continued]

Canada pay $24,000 annually, in 1979 dollars, adjusted by the consumer price index each year. The amount paid for the current year was $70,176 for all provinces and territories.

The Corporation, as the Regional Marketing Organization of the Interprovincial Lottery Corporation, remits its member provinces' share of the above payments to the Interprovincial Lottery Corporation. The payment is included in the consolidated statement of operations as a deduction from profit and was allocated to the Corporation's member provinces based upon disposable income of the province, as follows:

| | **2014** | 2013 |
|---|---|---|
| New Brunswick Lotteries and Gaming Corporation | **$ 1,386** | $ 1,386 |
| Province of Newfoundland and Labrador | **1,052** | 981 |
| Nova Scotia Provincial Lotteries and Casino Corporation | **1,744** | 1,746 |
| Prince Edward Island Lotteries Commission | **251** | 242 |
| | **$ 4,433** | $ 4,355 |

## 22. TAXES

In lieu of the collection of HST on lottery ticket sales to the consumer, GST/HST paid on goods and services purchased that relate to gaming activities is not recoverable and is recorded with the cost to which it relates. Said goods and services are subject to the HST rate being applied a second time for remittance to the Federal Government, recorded as tax expense.

| | **2014** | 2013 |
|---|---|---|
| Harmonized Sales Tax (HST) | **$27,296** | $ 27,213 |

## 23. COMMITMENTS

**Operating leases**
The Corporation is committed to payments for the lease of equipment and premises occupied by its head office, as well as operations in Nova Scotia, Newfoundland and Labrador, and Prince Edward Island. These leases have a duration of between one and 13 years, and the lease contracts end in the period from 2014 to 2027. Some of the contracts for the head office and operational properties include renewal options. The minimum future annual lease payments over the next five years are as follows: 2015 - $3,436; 2016 - $3,116; 2017 - $3,106; 2018 - $2,673; and 2019 - $2,627.

**Outsource agreement**
On July 18, 2010, the Corporation entered into a 7 year outsourcing agreement with CGI, with the option of three one year renewable terms. The scope of the agreement is for Infrastructure Services, Application Services, Project Services and the purchase of most non-gaming IT assets. The minimum future annual payments to CGI over the next five years are as follows: 2015 - $22,365; 2016 - $22,074; 2017 - $22,029; 2018 - $6,422; and 2019 - nil.

## 24. NET CHANGE IN NON-CASH COMPONENTS OF WORKING CAPITAL

| | 2014 | 2013 |
|---|---|---|
| (Increase) decrease | | |
| Accounts receivable | **$ 5,770** | $ (6,395) |
| Prepaid expenses and deposits | **(2,752)** | 2,326 |
| Inventory | **453** | (1,096) |
| | **3,471** | (5,165) |
| Increase (decrease) | | |
| Accounts payable and accrued liabilities | **10,567** | (8,329) |
| Deferred revenue | **462** | 110 |
| Liabilities for unclaimed prizes | **407** | (1,018) |
| Due to shareholders | **485** | 3,131 |
| | **11,921** | (6,106) |
| Net change | **$ 15,392** | $ (11,271) |

## 25. RELATED PARTY TRANSACTIONS

**Transactions with key management personnel**
Key management personnel (Corporate Executives) receive compensation in the form of short-term employee benefits and post-retirement benefits. Key management personnel compensation for the year ended March 31, 2014 is $2,519 [2013 - $1,950] which includes pension benefits of $181 [2013 - $155].

**Other related party transactions**
The Corporation is related to its shareholders: New Brunswick Lotteries and Gaming Corporation, Province of Newfoundland and Labrador, Nova Scotia Provincial Lotteries and Casino Corporation and Prince Edward Island Lotteries Commission.

The Corporation holds 100% equity interest in Atlantic Gaming Equipment Limited, 7865813 Canada Inc., and 8157154 Canada Inc. All intra-Corporation balances, transactions, income and expenses, and profits and losses, including dividends resulting from intra-Corporation transactions, are eliminated in full.

## 26. FINANCIAL INSTRUMENTS

**Fair value versus carrying amounts**
The fair value of financial instruments generally corresponds to the consideration for which the instrument could be exchanged in an arm's-length transaction between knowledgeable, willing parties.

Financial instruments that are measured subsequent to initial recognition at fair value are grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

## 26. FINANCIAL INSTRUMENTS [Continued]

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

The following tables present the breakdown of fair value measurements of financial instruments recognized at fair value on the consolidated balance sheet.

| | 2014 | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| **Financial assets** | | | | |
| Available for sale | **$ -** | **$ -** | **$ 8,681** | **$ 8,681** |
| **Total financial assets** | **$ -** | **$ -** | **$ 8,681** | **$ 8,681** |
| **Financial liabilities** | | | | |
| Derivatives designated as hedging instruments in an effective hedge | **$ -** | **$ (969)** | **$ -** | **$ (969)** |
| **Total financial liabilities** | **$ -** | **$ (969)** | **$ -** | **$ (969)** |

| | 2013 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| **Financial assets** | | | | |
| Available for sale | $ - | $ - | $ 8,681 | $ 8,681 |
| **Total financial assets** | $ - | $ - | $ 8,681 | $ 8,681 |
| **Financial liabilities** | | | | |
| Derivatives designated as hedging instruments in an effective hedge | $ - | $ 2,526 | $ - | $ 2,526 |
| **Total financial liabilities** | $ - | $ 2,526 | $ - | $ 2,526 |

The fair value of cash, restricted prize cash, accounts receivable, due to/from shareholders, line of credit, accounts payable and accrued liabilities and liabilities for unclaimed prizes approximate their carrying amount largely due to the short-term maturities of these instruments.

The financial asset in Level 3 relates to a purchase by the Corporation of an investment during the year ended March 31, 2012 that is classified as an available for sale financial asset. Its fair value is not available on the market and therefore, is measured at cost. No realized or unrealized gains or losses have been recognized for this financial asset as at March 31, 2014.

The Corporation has entered into a derivative financial instrument with a financial institution with an investment grade credit rating. Interest rate swaps are the only derivatives valued using a valuation technique with market observable inputs. The applied valuation technique is a swap valuation model using present value calculations. The

## 26. FINANCIAL INSTRUMENTS [Continued]

models incorporate various inputs, including the credit quality of counterparties and interest rate curves. Because the derivatives are valued with their fair value in accordance with IAS 39, the recorded carrying value at the consolidated balance sheet date equals the fair value of the financial instrument.

## 27. CAPITAL MANAGEMENT

The Corporation does not retain any earnings. Net profit, after deducting contractual amounts due to the Government of Canada, is returned to the Province of Newfoundland and Labrador, Province of Prince Edward Island, Province of Nova Scotia and Province of New Brunswick.

The Corporation's policy is to maintain a structure which allows it to have sufficient liquidity to meet both operational demands and payments to the Provinces. The profit of the Corporation is distributed twice monthly to each of the shareholders.

As a result of fluctuating cash flow requirements and to minimize market risk, the Corporation maintains a high degree of liquidity and has a line of credit available. Corporate assets are financed through debt borrowings in the form of bank term loans and a line of credit.

The Board of Directors is responsible for the oversight of management, including its policies related to financial and risk management issues.

There were no changes in the Corporation's approach to capital management during the year.

## 28. FINANCIAL RISK MANAGEMENT

The Corporation has exposure to credit risk, liquidity risk, and market risk from its use of financial instruments. This note presents information about the Corporation's exposure to each of these risks and its objectives, policies and procedures for measuring and managing these risks.

**Risk management framework**
The Board of Directors has overall responsibility for the establishment and oversight of the Corporation's risk management framework. The Board of Directors has established the Audit Committee, which is responsible for developing and monitoring the Corporation's risk management policies. The Audit Committee reports regularly to the Board of Directors on its activities. The Corporation's risk management policies are established to identify and analyze the risks faced by the Corporation, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in the market conditions and the Corporation's activities. The Corporation, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee oversees how management monitors compliance with the Corporation's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Corporation. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

## 28. FINANCIAL RISK MANAGEMENT [Continued]

**Credit risk**
Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Corporation is subject to credit risk due to the nature of its operations where retail partners collect the Corporation's revenue.

This risk is managed through frequent collection of revenue and the control to pull funds from retailers' bank accounts and through retaining security deposits where the individual risk is assessed as high. The Corporation is not materially exposed to any one individual retailer or service provider and has applied standard credit practices which limit the Corporation's exposure to credit risk. The maximum risk the Corporation would be exposed to is \$16,734 and the average balance for any one retail location outstanding is approximately \$5. There are no accounts receivable balances outstanding greater than 90 days. As a result of the limited and controlled risk there is no provision established for bad debt.

The Corporation is not subject to credit risk for internet gaming sales because they are through credit card, debit card, online bill payment purchases or webcash purchases where customers pay in advance of transactions.

**Liquidity risk**
Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they become due.

To manage cash flow requirements, the Corporation has a line of credit from which it may borrow up to \$125,000. Short-term financing is unsecured and interest is payable at prime less 0.50%, and charges a standby fee on the daily unadvanced portion of the credit facility at a rate of 0.1% per annum.

The Corporation's Finance division manages liquidity risk by forecasting and assessing actual cash flow requirements on an ongoing basis, as well as by planning for short-term liquidity with investment maturities chosen to ensure that sufficient funds are available to meet the Corporation's financial obligations.

The carrying values of the financial liabilities approximate their fair values due to the relatively short periods to maturity of these items, or because they are payable on demand. The table below summarizes the maturity profile of the Corporation's financial liabilities based on contractual undiscounted payments.

| Maturity | On demand | Less than 12 months | 1 to 2 years | 2 to 5 years | 5 to 10 years |
|---|---|---|---|---|---|
| Line of credit | $ 14,940 | $ - | $ - | $ - | $ - |
| Accounts payable and accrued liabilities | - | 32,718 | - | - | - |
| Liabilities for unclaimed prizes | - | 1,465 | - | - | - |
| Due to shareholders | - | 4,895 | - | - | - |
| Debt | - | 82,519 | 26,819 | 50,388 | 19,120 |
| Lease payable | - | 938 | 378 | 504 | - |
| Other long term liabilities | - | - | - | 171 | 335 |
| | $ 14,940 | $ 122,535 | $ 27,197 | $ 51,063 | $ 19,455 |

## 28. FINANCIAL RISK MANAGEMENT [Continued]

**Market risk**
Market risk is the risk that changes in market prices will affect the fair value of future cash flows of a financial instrument. Market risk is comprised of currency risk, interest rate risk and other market price risk.

**Currency risk**
The Corporation is exposed to currency risk (or foreign exchange risk) by settling certain obligations in foreign currencies (primarily USD and GBP). Gains and losses due to foreign exchange rate fluctuations are minimized by settling foreign obligations as quickly as possible. The transactions in foreign currency are minimal and therefore the Corporation is not materially impacted by currency risk.

**Interest rate risk**
The Corporation's Finance division manages interest rate risk by forecasting and assessing actual cash flow requirements on an ongoing basis, and securing fixed rate debt (hedges) for financing of long-term projects. On an ongoing basis, the Corporation is exposed to interest rate risk through its line of credit which is subject to interest charges at prime less 0.50%, and charges a standby fee on the daily unadvanced portion of the credit facility at a rate of 0.1%. Fluctuations in the prime rate by plus or minus 1% could impact the Corporation's annual net profit by an amount of $149 [2013 - $191] based on the line of credit balance as at March 31, 2014.

**Other market price risk**
The Corporation offers the Proline brand of lottery products in the marketplace. The Corporation manages risks associated with these products by:

- setting odds for each event within a short time frame before the actual event;
- establishing sales liability thresholds by events, by combination of events, by retailer, and by player; and
- posting conditions and prize structure statements on www.alc.ca.

The Corporation has the authority to suppress sales of any game at any time when liability is a concern.

**BOARD OF COMMISSIONERS**
**OF PUBLIC UTILITIES**

**FINANCIAL STATEMENTS**
**MARCH 31, 2014**

**NOSEWORTHY CHAPMAN**
CHARTERED ACCOUNTANTS

Suite 201, 516 Topsail Rd • St. John's, NL • A1E 2C5
Tel: (709) 364-5600 • Fax: (709) 368-2146
www.noseworthychapman.ca

## INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners of Public Utilities

We have audited the accompanying financial statements of the Board of Commissioners of Public Utilities, which comprise the statement of financial position as at March 31, 2014, and the statements of operations, change in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

***Management's Responsibility for the Financial Statements***
Management is responsible for the preparation and fair presentation of these 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.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 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 financial statements present fairly, in all material respects, the financial position of the Board of Commissioners of Public Utilities as at March 31, 2014, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Noseworthy Chapman
Chartered Accountants
St. John's, Newfoundland & Labrador
June 3, 2014

# BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

## Statement of Financial Position
## Year Ended March 31, 2014

| | 2014 | 2013 |
|---|---|---|
| **FINANCIAL ASSETS** | | |
| Cash | $ 1,836,354 | $ 1,683,223 |
| Receivables (Note 4) | 342,022 | 195,958 |
| HST receivable (Note 5) | 60,630 | 132,941 |
| Recoverable costs (Notes 2 & 6) | 1,217,812 | 1,142,413 |
| Designated pension funds (Note 7) | - | 27,308 |
| | 3,456,818 | 3,181,843 |
| **LIABILITIES** | | |
| Payables and accruals | $ 579,600 | $ 711,658 |
| Government remittances payable | 728 | 1,168 |
| Payroll accruals | 949,393 | 885,822 |
| | 1,529,721 | 1,598,648 |
| **NET FINANCIAL ASSETS** | 1,927,097 | 1,583,195 |
| **NON-FINANCIAL ASSETS** | | |
| Capital assets (Note 8) | $ 55,846 | $ 61,644 |
| Prepaid expenses | 7,062 | 8,350 |
| | 62,908 | 69,994 |
| **ACCUMULATED SURPLUS** | 1,990,005 | 1,653,189 |
| **Accumulated surplus comprised of:** | | |
| Invested in capital assets (Note 8) | $ 55,846 | $ 61,644 |
| Invested in designated pension funds (Note 7) | - | 27,308 |
| Internally restricted (Note 11) | 1,435,052 | 1,409,554 |
| Unrestricted | 499,107 | 154,683 |
| | $ 1,990,005 | $ 1,653,189 |

Commitments (Note 12)

On Behalf of the Board:

Chairperson and CEO

Vice Chairperson

# BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

## Statement of Operations
## Year Ended March 31, 2014

| | Budget 2014 (Note 14) (Unaudited) | **2014** | 2013 |
|---|---|---|---|
| **REVENUES** | | | |
| Regulatory assessments | $ 2,553,425 | **$ 2,726,148** | $ 2,556,860 |
| Interest and other income | 7,500 | **16,405** | 13,647 |
| Pension fund earnings, net of expenses (Note 7) | - | **(777)** | (3,294) |
| | 2,560,925 | **2,741,776** | 2,567,213 |
| **EXPENDITURES** | | | |
| Amortization | $ - | **$ 23,475** | $ 60,542 |
| Consulting fees | 371,650 | **253,915** | 339,300 |
| Office equipment, supplies, and services | 86,503 | **60,473** | 65,479 |
| Pension obligations estimation adjustment | - | **-** | (12,204) |
| Rent and insurance | 224,950 | **225,027** | 224,862 |
| Salaries and associated costs | 1,709,867 | **1,750,665** | 1,687,530 |
| Telecommunications | 34,920 | **28,782** | 28,705 |
| Training and membership | 81,300 | **27,180** | 20,741 |
| Travel | 51,735 | **35,414** | 26,930 |
| Write down of capital assets | - | **-** | 2,645 |
| | 2,560,925 | **2,404,931** | 2,444,530 |
| **Excess of revenue over expenditures** | $ - | **$ 336,845** | $ 122,683 |

# BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

## Statement of Change in Net Financial Assets
## Year Ended March 31, 2014

| | Budget 2014 (Unaudited) | 2014 | 2013 |
|---|---|---|---|
| Annual surplus | $ - | **$ 336,845** | $ 122,683 |
| **Changes in tangible capital assets** | | | |
| Acquisition of tangible capital assets | | **(17,677)** | (12,752) |
| Amortization of tangible capital assets | | **23,475** | 60,542 |
| Write down of capital assets | - | **-** | 2,645 |
| | - | **5,798** | 50,435 |
| **Change in other non-financial assets** | | | |
| Net acquisition of prepaid expenses | | **1,259** | 2,434 |
| | - | **1,259** | 2,434 |
| **Increase in net assets** | - | **343,902** | 175,552 |
| **Net financial assets, beginning of year** | 1,583,195 | **1,583,195** | 1,407,643 |
| **Net financial assets, end of year** | $ 1,583,195 | **$ 1,927,097** | $ 1,583,195 |

# BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

## Statement of Cash Flows
## Year Ended March 31, 2014

| | 2014 | 2013 |
|---|---|---|
| **Operating transactions** | | |
| Cash receipts from assessments and other revenues | $ 2,668,023 | $ 2,541,470 |
| Cash paid to suppliers and employees | (2,449,124) | (2,198,664) |
| Cash provided by operating transactions | 218,899 | 342,806 |
| **Hearing and review transactions** | | |
| Decrease (increase) in recoverable costs | (75,399) | 420,905 |
| Cash (used in) provided by hearing and review transactions | (75,399) | 420,905 |
| **Capital transactions** | | |
| Purchase of capital assets | (17,677) | (12,752) |
| Cash used in capital transactions | (17,677) | (12,752) |
| **Investing transactions** | | |
| Decrease (increase) in designated pension funds | 27,308 | (8,909) |
| Cash provided by (used in) investing transactions | 27,308 | (8,909) |
| **Increase in cash during year** | 153,131 | 742,050 |
| **Cash position, beginning of year** | 1,683,223 | 941,173 |
| **Cash position, end of year** | $ 1,836,354 | $ 1,683,223 |

1. GENERAL

The Board of Commissioners of Public Utilities (the "Board") is an independent, quasi-judicial regulatory tribunal constituted in 1949 by the Lieutenant-Governor in Council pursuant to the *Public Utilities Act*. The Board regulates the electric utilities in the Province of Newfoundland and Labrador and is responsible for ensuring that the rates charged are reasonable and that the service provided is safe and reliable. Other responsibilities include: (a) the regulation of automobile insurance rates; (b) the regulation of, from June 8, 2004, fuel prices pursuant to the Petroleum Products Act; (c) limited regulation of the motor carrier industry as it relates to certain passenger and ambulance operations; and (d) establishing compensation for matters referred to the Board pursuant to the *Expropriation Act*. The Board was incorporated on May 12, 2000 pursuant to an amendment to the *Public Utilities Act* and as a Crown entity of the Province is not subject to provincial or federal income taxes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The Board is classified as an Other Government Organization as defined by Canadian Public Sector Accounting Standards (CPSAS). These financial statements are prepared by management in accordance with CPSAS for provincial reporting entities established by the Canadian Public Sector Accounting Board.

Financial instruments

The Board's financial instruments recognized in the statement of financial position consists of cash, receivables, HST receivable, recoverable costs, payables and accruals, government remittance payable and payroll accruals. The Board 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 Board subsequently measures all its financial assets and financial liabilities at cost or amortized cost. Transaction costs and any gains or losses arising from changes in fair value are recognized immediately in the statement of revenues and expenditures. Receivables are classified as loans and accounts payable are classified as other financial liabilities. Both are measured at amortized cost.

The Board's carrying value of cash, receivables, HST receivable, recoverable costs, payables and accruals, government remittance payable and payroll accruals approximates its fair value due to the immediate or short term maturity of these instruments

Cash

Cash includes cash in bank.

Recoverable costs

Recoverable costs relating to regulatory hearings and specific enquiries held by the Board are accrued until the Board orders payment. The costs and subsequent recoveries for these enquiries are not included in the operating revenues and expenditures of the Board.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital assets

Capital assets are recorded on the Statement of Financial Position at cost net of accumulated amortization and are amortized as follows:

| | | |
|---|---|---|
| Furniture and equipment | 20% | declining balance method |
| Computer hardware | 35% | declining balance method |
| Computer software | 50% | declining balance method |
| Leasehold improvements | | the lesser of five year straight-line or remaining term of the lease |

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

Prepaid expenses

Prepaid expenses include amounts paid in advance for services, insurance, and workers compensation and are charged to expense over the periods expected to benefit from it.

Funds and reserves

Certain amounts, as approved by the Board, are set aside in accumulated surplus for future operating and capital purposes. Transfers to/from funds and reserves are an adjustment to the respective fund when approved.

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.

Expenditures

Expenses are reported on an accrual basis. The costs of all goods consumed and services received during the year are expensed.

Severance pay

Severance pay is accounted for on the accrual basis and is based upon years of service and current salary levels. The entitlement to severance pay vests with employees after nine years of continual service and accordingly no provision has been made in the accounts for employees with less than nine years of continual service. The amount is payable when the employee ceases employment with the Board.

Sick pay

The cost of non-vesting sick leave benefits are determined using management's best estimate of salary escalation, accumulated sick days at retirement, long-term inflation rates and discount rates.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

3. FINANCIAL INSTRUMENTS

The Board is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the organization's risk exposure and concentration as of March 31, 2014.

Credit Risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Board is exposed to credit risk with respect to regulatory assessments. An allowance for doubtful accounts may be established based upon factors surrounding the credit risk of specific accounts, historical trends and other information.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the organization manages exposure through its normal operating and financing activities. The organization is exposed to interest rate risk primarily through its floating interest rate credit facilities.

4. RECEIVABLES

| | | |
|---|---|---|
| Revenues receivable | **$ 339,733** | $ 192,664 |
| Accrued interest receivable | **1,617** | 1,315 |
| Other receivables | **672** | 1,979 |
| | **$ 342,022** | $ 195,958 |

5. HST RECEIVABLE

| | | |
|---|---|---|
| HST rebate receivable from federal government | **$ 89,469** | $ 170,931 |
| HST payable to federal government | **(28,839)** | (37,990) |
| | **$ 60,630** | $ 132,941 |

6. RECOVERABLE COSTS

| | | |
|---|---|---|
| Recoverable costs, beginning of year | **$ 1,142,413** | $ 1,563,318 |
| Add - specific enquiry costs incurred during the year: | | |
| Consulting fees | **957,393** | 556,915 |
| Consumer Advocate | **307,410** | 860,976 |
| Legal | **137,480** | 114,950 |
| Advertising and notice | **25,295** | 26,350 |
| Other | **19,617** | 2,069 |
| Transcription and printing | **956** | 14,671 |
| | **1,448,151** | 1,575,931 |
| | **2,590,564** | 3,139,249 |
| Less - costs recovered during the year | **(1,372,752)** | (1,996,836) |
| Recoverable costs, end of year | **$ 1,217,812** | $ 1,142,413 |

## 7. DESIGNATED PENSION FUNDS AND PENSION ASSET (OBLIGATIONS)

Designated pension funds are disclosed in the Statement of Financial Position as net of the related pension obligation.

The Board previously maintained a pension fund for one former commissioner. During the year this pension fund was wound up and all amounts on deposit were transferred to the Board's cash balance.

| | | |
|---|---|---|
| Balance on deposit, beginning of year | **$ 27,308** | $ 39,499 |
| Add (deduct) - earnings net of expenses | **(777)** | (3,294) |
| | **26,531** | 36,205 |
| Less - benefit payments | **-** | 8,897 |
| Less - amount withdrawn on wind-up | **26,531** | |
| Balance on deposit, end of year | **$ -** | $ 27,308 |

In addition, other commissioners and employees for whom no designated pension plan has been established are members of The Public Service Pension Fund Act 1991. Pension contributions deducted from commissioners' and employees' salaries are matched by the Board and then remitted to the Province of Newfoundland and Labrador Pooled Pension Fund from which pensions will be paid to commissioners and employees when they retire. The Board's share of pension expense for the year of $112,405 (2013 - $118,469) is included in salaries and associated costs.

8. CAPITAL ASSETS

| | Furniture and Equipment | Computer Hardware and Software | Leasehold Improvements | **Total** |
|---|---|---|---|---|
| **Cost** | | | | |
| Opening balance | $ 236,893 | $ 219,099 | $ 190,515 | **$ 646,507** |
| Additions | 5,511 | 12,166 | - | **17,677** |
| Disposals | - | - | - | **-** |
| Closing balance | 242,404 | 231,265 | 190,515 | **664,184** |
| **Accumulated amortization** | | | | |
| Opening balance | 208,793 | 185,555 | 190,515 | **584,863** |
| Amortization | 6,183 | 17,292 | - | **23,475** |
| Disposals | - | - | - | **-** |
| Closing balance | 214,976 | 202,847 | 190,515 | **608,338** |
| Net book value | $ 27,428 | $ 28,418 | $ - | **$ 55,846** |

| | | | | **2013** |
|---|---|---|---|---|
| | Furniture and Equipment | Computer Hardware and Software | Leasehold Improvements | **Total** |
| **Cost** | | | | |
| Opening balance | $ 246,886 | $ 212,472 | $ 190,047 | **$ 649,405** |
| Additions | 3,876 | 8,408 | 468 | **12,752** |
| Disposals | 13,869 | 1,781 | - | **15,650** |
| Closing balance | 236,893 | 219,099 | 190,515 | **646,507** |
| **Accumulated amortization** | | | | |
| Opening balance | 213,308 | 162,361 | 161,657 | **537,326** |
| Amortization | 7,026 | 24,658 | 28,858 | **60,542** |
| Disposals | 11,541 | 1,464 | - | **13,005** |
| Closing balance | 208,793 | 185,555 | 190,515 | **584,863** |
| Net book value | $ 28,100 | $ 33,544 | $ - | **$ 61,644** |

9. BANK CREDIT AGREEMENT

The Board has established a $1,000,000 line-of-credit subject to a general security agreement over all accounts and book debts, equipment, tangible capital assets and certain other assets. Any outstanding balance bears interest at the bank prime rate plus 0.5%. As at March 31, 2014, the balance outstanding was $Nil (2013- $Nil).

10. NON-VESTED SICK LEAVE PAYOUTS

Prior to a change in government policy, several employees were allowed to accumulate unused sick day credits. As of March 31, 2014, there are four employees who have an accumulated sick-leave payout balance. Accumulated credits may be used in future years to the extent that the employee's illness or injury exceeds the current year's allocation of credits. The use of accumulated sick days for sick-leave compensation ceases on termination of employment. The benefit costs and liabilities related to the plan are included in the financial statements.

11. INTERNALLY RESTRICTED SURPLUS

The Board has adopted a formal policy to accumulate and restrict estimated amounts required to meet expected future obligations. The amounts restricted as at March 31, 2014 are as follows:

| | **2014** | 2013 |
|---|---|---|
| Lease commitments | **$ 223,300** | $ 223,300 |
| Payroll contingency | **67,205** | 66,341 |
| Redundancy pay contingency | **729,541** | 693,092 |
| Working capital | **415,006** | 426,821 |
| | **$ 1,435,052** | $ 1,409,554 |

12. COMMITMENTS

The Board has a premises lease agreement in the amount of $18,608 per month ($223,296 per annum), concluding May 31, 2018.

The Board has a contract for telecommunications in the amount of $14,400 per annum, concluding in 2015.

13. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.

14. BUDGET FIGURES

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

15. ASSESSMENT REDUCTIONS AND SUBSEQUENT EVENT

Subsequent to year end and pursuant to section 13(7) of the Public Utilities Act, the Board approved reductions in assessments to the electrical utilities, the insurance industry and the petroleum products industry in the amounts of $75,877, $180,988, and $242,239 (total $499,104).

# BUSINESS INVESTMENT CORPORATION

## FINANCIAL STATEMENTS

## MARCH 31, 2013

**Management's Report**

***Management's Responsibility for the Business Investment Corporation 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 quarterly 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 Business Investment Corporation.

On behalf of the Business Investment Corporation.

| | |
|---|---|
| Mr. Guy Edwards, CMA, MBA<br>Director of Portfolio Management | Ms. Sharon Patten, CGA<br>Financial Operations Manager |

July 3, 2013

OFFICE OF THE AUDITOR GENERAL
St. John's, Newfoundland and Labrador

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors
Business Investment Corporation
St. John's, Newfoundland and Labrador

**Report on the Financial Statements**

I have audited the accompanying financial statements of the Business Investment Corporation which comprise the statement of financial position as at March 31, 2013, and the statements of operations, remeasurement gains and losses, change in net debt, and cash flows for the year ended March 31, 2013, and a summary of significant accounting policies and other explanatory information.

*Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these 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.

*Auditor's Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

# Independent Auditor's Report (cont.)

*Opinion*

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Business Investment Corporation as at March 31, 2013, and its financial performance and its cash flows for the years ended March 31, 2013, in accordance with Canadian public sector accounting standards.

**TERRY PADDON, CA**
**Auditor General**

July 3, 2013
St. John's, Newfoundland and Labrador

## BUSINESS INVESTMENT CORPORATION
### STATEMENT OF FINANCIAL POSITION
### As at March 31

| | 2013 | 2012 |
|---|---|---|
| **FINANCIAL ASSETS** | | |
| Cash (Note 3) | $ 23,765,689 | $ 20,937,128 |
| Due from the Province | 24,884 | 13,000 |
| Bank interest receivable | 20,473 | 17,863 |
| HST receivable | 426 | 2,128 |
| Loans receivable and equity investments (Note 4) | 8,176,346 | 9,189,658 |
| Portfolio investments (Note 5) | - | 15,930 |
| | 31,987,818 | 30,175,707 |
| **LIABILITIES** | | |
| Accounts payable and accrued liabilities (Note 6) | 25,876 | 13,000 |
| Due to the Province (Note 7) | - | 41,390,455 |
| | 25,876 | 41,403,455 |
| **Net assets (debt)** | 31,961,942 | (11,227,748) |
| **NON-FINANCIAL ASSETS** | - | - |
| **Accumulated surplus (deficit)** | $ 31,961,942 | $ (11,227,748) |
| Accumulated surplus (deficit) is comprised of: | | |
| Accumulated operating surplus (deficit) | $ 31,961,942 | $ (11,234,256) |
| Accumulated remeasurement gains | - | 6,508 |
| | $ 31,961,942 | $ (11,227,748) |

**Contingent liabilities (Note 8)**
**Contractual obligations (Note 9)**

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

**Signed on behalf of the Board:**

Chairperson

Board Member

# BUSINESS INVESTMENT CORPORATION
## STATEMENT OF OPERATIONS
### For the Year Ended March 31

| | 2013 Budget | 2013 Actual | 2012 Actual |
|---|---|---|---|
| | (Note 14) | | |
| **REVENUES** | | | |
| Contributions from Province | | | |
| Business Marketing and Development Program (Note 12) | $ 1,000,000 | $ 1,000,000 | $ 1,000,000 |
| Due to the Province - forgiveness (Note 7 and Note 12) | - | 41,390,455 | 3,010,835 |
| Other Provincial contributions (Note 12) | 880,000 | 1,153,923 | 804,793 |
| Recovery in value of loans receivable and equity investments (Note 4) | - | 801,374 | 496,588 |
| Interest on loans | 2,300,000 | 573,862 | 524,913 |
| Other investment income | 190,000 | 230,096 | 215,981 |
| Gain on sale of portfolio investments (Note 5) | - | 8,376 | - |
| | 4,370,000 | 45,158,086 | 6,053,110 |
| **EXPENSES (Note 11)** | | | |
| Business Marketing and Development Program | 1,000,000 | 806,853 | 753,072 |
| Allowance for decline in value of loans receivable and equity investments | 1,500,000 | - | - |
| Administration (Note 12) | 880,000 | 1,153,923 | 804,793 |
| Bank charges | - | 1,112 | 2,614 |
| Miscellaneous expense | - | - | 1,338 |
| | 3,380,000 | 1,961,888 | 1,561,817 |
| **Annual operating surplus** | 990,000 | 43,196,198 | 4,491,293 |
| **Accumulated operating deficit, beginning of year** | (11,234,256) | (11,234,256) | (15,725,549) |
| **Accumulated operating surplus (deficit), end of year** | $ (10,244,256) | $ 31,961,942 | $ (11,234,256) |

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

# BUSINESS INVESTMENT CORPORATION
## STATEMENT OF REMEASUREMENT GAINS AND LOSSES
**For the Year Ended March 31**

| | | 2013 | | 2012 |
|---|---|---|---|---|
| **Accumulated remeasurement gains, beginning of year** | $ | **6,508** | $ | - |
| Unrealized gains attributable to: | | | | |
| Portfolio investments | | **1,868** | | 6,508 |
| Amounts reclassified to statement of operations: | | | | |
| Portfolio investments | | **(8,376)** | | - |
| **Net remeasurement gains (losses) for the year** | | **(6,508)** | | 6,508 |
| **Accumulated remeasurement gains, end of year** | $ | **-** | $ | 6,508 |

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

## BUSINESS INVESTMENT CORPORATION
### STATEMENT OF CHANGE IN NET DEBT
### For the Year Ended March 31

| | 2013 Budget | 2013 Actual | 2012 Actual |
|---|---|---|---|
| | (Note 14) | | |
| **Annual operating surplus** | $ 990,000 | $ 43,196,198 | $ 4,491,293 |
| **Net remeasurement gains (losses)** | - | (6,508) | 6,508 |
| **Decrease in net debt** | 990,000 | 43,189,690 | 4,497,801 |
| **Net debt, beginning of year** | (11,227,748) | (11,227,748) | (15,725,549) |
| **Net assets (debt), end of year** | $ (10,237,748) | $ 31,961,942 | $ (11,227,748) |

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

## BUSINESS INVESTMENT CORPORATION
### STATEMENT OF CASH FLOWS
### For the Year Ended March 31

| | 2013 | 2012 |
|---|---|---|
| **Operating transactions** | | |
| Annual operating surplus | $ 43,196,198 | $ 4,491,293 |
| Adjustment for non-cash items | | |
| Gain on sale of portfolio investments | (8,376) | - |
| Recovery in value of loans receivable and equity investments | (801,374) | (496,588) |
| Due to the Province - forgiveness | (41,390,455) | (3,010,835) |
| | 995,993 | 983,870 |
| Change in non-cash working capital | | |
| Due from the Province | (11,884) | - |
| Bank interest receivable | (2,610) | (210) |
| HST receivable | 1,702 | (2,128) |
| Accounts payable and accrued liabilities | 12,876 | (9,558) |
| **Cash provided from operating transactions** | 996,077 | 971,974 |
| **Investing transactions** | | |
| Increase in loans and equity investments | (1,427,796) | (3,429,594) |
| Collection of loans and equity investments | 3,242,482 | 2,984,260 |
| Proceeds from portfolio investments | 17,798 | - |
| **Cash provided from (applied to) investing transactions** | 1,832,484 | (445,334) |
| **Increase in cash** | 2,828,561 | 526,640 |
| **Cash, beginning of year** | 20,937,128 | 20,410,488 |
| **Cash, end of year** | $ 23,765,689 | $ 20,937,128 |

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

## 1. Nature of operations

The Business Investment Corporation (the Corporation) was established under the authority of the *Business Investment Corporation Act*. The Corporation is funded by the Province of Newfoundland and Labrador (the Province) and is responsible for making available and managing investments in small to medium sized private businesses, co-operatives, community development corporations and other enterprises for the purpose of creating employment opportunities for the people of the Province. The Corporation administers three funding programs: the Small and Medium Enterprise Fund, the Business Marketing and Development Fund and the Aquaculture Working Capital Fund. The affairs of the Corporation are managed by a Board of Directors appointed by the Lieutenant-Governor in Council.

The *Business Investment Corporation Act* came into force effective April 1, 2002. Under this *Act*, the Corporation was incorporated and became the successor to Enterprise Newfoundland and Labrador Corporation, the Fisheries Loan Board and the Farm Development Loan Board.

The Business Investment 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 are prepared by management in accordance with CPSAS for provincial reporting entities established by the Public Sector Accounting Board.

### (b) Financial instruments

The Corporation's financial instruments recognized in the statement of financial position consist of cash, due from the Province, bank interest receivable, HST receivable, loans receivable and equity investments, 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, due from the Province, bank interest receivable and HST receivable. Loans receivable and equity investments are measured at amortized cost as disclosed in notes 2(d), 2(e) and 4. Financial liabilities measured at cost include accounts payable and accrued liabilities.

The carrying values of cash, due from the Province, bank interest receivable, HST receivable, 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 loans receivable and equity investments are considered to approximate market value.

## 2. Summary of significant accounting policies (cont.)

### (b) Financial instruments (cont.)

The Corporation uses the quoted market price as at the fiscal year end to measure the fair value of its portfolio investments. Unrealized gains and losses from changes in the fair value of financial instruments are recognized in the statement of remeasurement gains and losses. Upon settlement, the cumulative gain or loss is reclassified from the statement of remeasurement gains and losses and recognized in the statement of operations.

Interest and dividends attributable to financial instruments are reported in the statement of operations.

### (c) Cash

Cash includes cash in bank.

### (d) Loans receivable

The Corporation records loans receivable at amortized cost. 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, or when payment is contractually past due 90 days. When loans are identified as impaired, the Corporation records an allowance to reduce their carrying values to their estimated realizable amounts. Estimated realizable amounts are measured at discounted cash flows when the cash flows can be estimated with reasonable reliability, or alternatively, at the estimated net realizable value of the underlying security. Changes in the allowance are recognized in the statement of operations.

### (e) Equity investments

The Corporation records equity investments at amortized cost. Equity investments are tested annually for impairment. In certain circumstances, the Corporation may have acquired the right to appoint representatives to an equity investee's board of directors or it may have a significant influence on the strategic operating, investing and financing policies of the investee. However, because of the nature of the Corporation's investment process and the manner in which these positions were acquired, such control or significant influence may not in fact be exercised or the Corporation may not intend to maintain such positions. Accordingly, the Corporation's equity investments for all companies in which the Corporation holds voting rights are accounted for on the amortized cost basis with an allowance being made for any decline in their value considered to be other than temporary. Changes in the allowance are recognized in the statement of operations.

## 2. Summary of significant accounting policies (cont.)

### (f) Due to the Province

Prior to March 31, 2005, the Province provided funding to the Corporation to finance the loans and equity investments. The funding was to be repaid to the Province as the loans and equity investments were repaid to the Corporation. The amount due to the Province was also reduced by any write-off of the related loans receivable and equity investments in the Corporation. Since March 31, 2005, the Corporation has been permitted to retain all repayments of its loans receivable and equity investments; however, the amount due to the Province was reduced by the amount of any write-off of the related loans receivable and equity investments. In September 2012, the Province approved the write-off of the full amount of the due to the Province owed by the Corporation. This write-off was recorded as Due to the Province - forgiveness revenue of the Corporation.

### (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 all loans other than the impaired portion of loans. Recognition of interest in accordance with the terms of the original loan agreement ceases when a loan becomes impaired. The impaired portion of loans may revert to accrual status only when principal and interest payments have become fully current again, at which time any interest will be recognized in that fiscal year.

Government transfers (contributions 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 stipulation liabilities are settled.

## 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.

The Corporation is administered as a division of the Department of Innovation, Business and Rural Development. Expenses related to salaries, accommodations and administration are paid directly by the Department and are reflected in these financial statements as expenses of the Corporation and as revenue from the Province.

Grants under the Business Marketing and Development Program 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 CPSAS 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 collectability for the loans and equity investments.

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. Cash

| | **2013** | 2012 |
|---|---|---|
| Aquaculture Working Capital Fund | **$ 762,311** | $ 630,286 |
| Small and Medium Enterprise Fund | **18,999,802** | 16,532,950 |
| Business Marketing and Development Fund | **4,002,874** | 3,773,626 |
| Other | **702** | 266 |
| | **$ 23,765,689** | $ 20,937,128 |

## 4. Loans receivable and equity investments

| | 2013 | 2012 |
|---|---|---|
| **Loans receivable** | | |
| Principal due and unpaid | $ 13,753,619 | $ 15,568,826 |
| Principal not yet due | 12,087,541 | 13,072,106 |
| Interest due and unpaid | 1,615,657 | 3,227,428 |
| | 27,456,817 | 31,868,360 |
| Less: allowance for decline in value | (19,445,346) | (22,839,593) |
| | 8,011,471 | 9,028,767 |
| **Equity investments** | | |
| Equity investments, at cost | 13,463,190 | 14,489,088 |
| Less: allowance for decline in value | (13,298,315) | (14,328,197) |
| | 164,875 | 160,891 |
| **Loans receivable and equity investments** | $ 8,176,346 | $ 9,189,658 |

Generally, for loans, the loan terms are 3 years for working capital loans, 10 years for loans for equipment purchases and leasehold improvements and 15 years for loans for the purchase or renovation of land and buildings. The interest rate on loans is fixed and ranges from 0% to 12%. The Corporation obtains security against its loans which generally consists of demand promissory notes, general security agreements, collateral mortgages and personal guarantees.

Generally, for equity investments, redemption will be the earlier of 20% of annual after tax cash flows or 7 years. There is no interest or dividend rate charged on equity investments but in some cases a return on investment is expected from declared dividends or growth of shares. The Corporation obtains security against its equity investments which generally consists of share certificates and shareholder subordination agreements.

The determination of whether a loan is impaired and the appropriate carrying value of equity investments involves significant judgment. The estimation of an appropriate allowance for decline in value of loans receivable and equity investments necessarily involves the use of estimates. These financial statements represent management's best estimates based on available information.

The allowance for decline in value represents the Corporation's best estimate of future probable losses with respect to the loans receivable and equity investments. The Corporation recognizes that future economic and industry conditions are not predictable and therefore, their impact on the future cash flows anticipated is uncertain. Consequently, adjustments to the allowance are possible depending on the impact of these future events and management's best estimate of them.

## 4. Loans receivable and equity investments (cont.)

The allowance for decline in value of loans receivable and equity investments consists of the following:

| | 2013 | 2012 |
|---|---|---|
| **Balance, beginning of year** | **$ 37,167,790** | $ 40,904,654 |
| Principal written off, net of recoveries | **(1,992,722)** | (3,010,835) |
| Interest written off, net of recoveries | **(1,630,033)** | (229,441) |
| Allowance for decline (recovery) in value of loans receivable and equity investments | **(801,374)** | (496,588) |
| **Balance, end of year** | **$ 32,743,661** | $ 37,167,790 |

## 5. Portfolio investments

Portfolio investments consisted of 673 shares of Sun Life Financial Services of Canada Incorporated which were given to the Corporation as a result of the demutualization of Sun Life Assurance Company of Canada. The carrying value of the shares was recognized at the fair market value of $9,422 as determined by the share price at the time of the transfer of shares to the Corporation. These shares were sold during the year at the fair market value at the time of sale of $17,798, resulting in a gain of $8,376.

## 6. Accounts payable and accrued liabilities

| | 2013 | 2012 |
|---|---|---|
| Accrued salaries | **$ 10,885** | $ - |
| Accounts payable | **14,991** | 13,000 |
| | **$ 25,876** | $ 13,000 |

## 7. Due to the Province

In September 2012, the Province approved the write-off of the outstanding receivable owed by the Corporation. As a result, the Corporation extinguished its liability to the Province of $41,390,455 as at March 31, 2012 and recorded the amount as Due to the Province - forgiveness.

## 8. Contingent liabilities

A client of the Corporation has taken legal action as a result of certain alleged technical problems that the client claims to have experienced with a vessel that was financed through the former Fisheries Loan Board Program. The amount of this potential claim is in the $900,000 to $1,100,000 range. In a matter related to this legal action, another party has been awarded a claim of $1,800,000. The Province will not appeal this decision.

## 9. Contractual obligations

The Corporation has contractual obligations in respect of approved but not yet disbursed loans, equity investments and grants in the amount of $2,885,344 (2012 - $2,026,795).

## 10. 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.

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 the Province, bank interest receivable, HST receivable, loans receivable and equity investments. 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 due from the Province, bank interest receivable and HST receivable because of their nature.

The Corporation is exposed to credit risk related to its loans receivable and equity investments. The Corporation has policies and procedures for the monitoring and collection of its loans receivable and equity investments, including security being held, so as to mitigate potential credit losses. The Corporation classifies its loan receivables and equity investments as impaired in accordance with note 2(d) and note 4. Any estimated impairment of loans receivable and equity investments has been provided for through an allowance for decline in value as disclosed in note 4. Loans receivable and equity investments which are not impaired or past due are considered collectible by the Corporation.

## 10. Financial risk management (cont.)

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 and its ability to meet its contractual obligations for approved but not yet disbursed loans, equity investments and grants. The Corporation manages liquidity risk by monitoring its cash flows and ensuring that it has sufficient resources available to meet its financial liabilities and contractual obligations.

Market risk

Market risk is the risk that the fair value of expected 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 risk. The Corporation is not exposed to significant foreign exchange or other risk. In addition, the Corporation is not exposed to significant interest rate risk as its loans and equity investments are provided at fixed interest rates.

## 11. Expenses by Object

The following is a summary of expenses by object:

| | **2013** | 2012 |
|---|---|---|
| Bank charges | $ **1,112** | $ 2,614 |
| Grants and subsidies | **808,255** | 755,808 |
| Miscellaneous | **-** | 1,338 |
| Professional services | **14,400** | 14,400 |
| Property, furnishings and equipment | **3,002** | 1,115 |
| Purchased services | **72,793** | 46,746 |
| Salaries and benefits | **1,040,848** | 710,908 |
| Supplies | **6,485** | 8,399 |
| Transportation and communication | **14,993** | 20,489 |
| | **$ 1,961,888** | $ 1,561,817 |

## 12. Related party transactions

The Corporation had the following transactions with the Province:

| | **2013** | 2012 |
|---|---|---|
| Business Marketing and Development Program | **$ 1,000,000** | $ 1,000,000 |
| Due to the Province - forgiveness | **41,390,455** | 3,010,835 |
| Other Provincial contributions | **1,153,923** | 804,793 |
| | **$ 43,544,378** | $ 4,815,628 |

The Corporation is administered as a division of the Department of Innovation, Business and Rural Development. Administration expenses $1,153,923 (2012 - $804,793) are paid directly by the Province and are reflected in these financial statements as expenses of the Corporation and as revenue from the Province. Included in this total is $110,933 related to the employer's share of employee benefits, paid by the Department of Finance on behalf of the Corporation.

## 13. Comparative figures

Certain comparative figures have been reclassified to conform to the current year's presentation.

## 14. Budget

The Corporation's budget has been provided for comparison purposes and has been derived from the estimates approved by the management of the Corporation.

# BUSINESS INVESTMENT CORPORATION

## FINANCIAL STATEMENTS

## MARCH 31, 2014

## Management's Report

***Management's Responsibility for the Business Investment Corporation 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 quarterly 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 Business Investment Corporation.

On behalf of the Business Investment Corporation.

G Edwards

Mr. Guy Edwards, CMA, MBA
Director of Portfolio Management

June 27, 2014

**AUDITOR GENERAL**
**of Newfoundland and Labrador**

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Business Investment Corporation
St. John's, Newfoundland and Labrador

**Report on the Financial Statements**

I have audited the accompanying financial statements of the Business Investment Corporation which comprise the statement of financial position as at March 31, 2014, and the statements of operations, remeasurement gains and losses, change in net financial assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

*Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these 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.

*Auditor's Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

# Independent Auditor's Report (cont.)

*Opinion*

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Business Investment Corporation as at March 31, 2014, and its financial performance and its cash flows for the year then ended, in accordance with Canadian public sector accounting standards.

**TERRY PADDON, CA**
**Auditor General**

June 27, 2014
St. John's, Newfoundland and Labrador

## BUSINESS INVESTMENT CORPORATION

### STATEMENT OF FINANCIAL POSITION

| As at March 31 | 2014 | 2013 |
| --- | --- | --- |
| **FINANCIAL ASSETS** | | |
| Cash (Note 3) | $ 24,430,225 | $ 23,765,689 |
| Due from the Province | 24,188 | 24,884 |
| Bank interest receivable | 20,521 | 20,473 |
| HST receivable | 912 | 426 |
| Loans receivable and equity investments (Note 4) | 9,843,434 | 8,176,346 |
| | 34,319,280 | 31,987,818 |
| **LIABILITIES** | | |
| Accounts payable and accrued liabilities (Note 5) | 52,713 | 25,876 |
| | 52,713 | 25,876 |
| **Net financial assets** | 34,266,567 | 31,961,942 |
| **NON-FINANCIAL ASSETS** | - | - |
| **Accumulated surplus** | $ 34,266,567 | $ 31,961,942 |

**Contingent liabilities (Note 6)**
**Contractual obligations (Note 7)**

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

**Signed on behalf of the Board:**

**Chairperson**

**Board Member**

## BUSINESS INVESTMENT CORPORATION
### STATEMENT OF OPERATIONS
### For the Year Ended March 31

| | 2014 Budget | 2014 Actual | 2013 Actual |
|---|---|---|---|
| | (Note 11) | | |
| **REVENUES** | | | |
| Contributions from Province | | | |
| Business Development Support Program (Note 10) | $ 3,400,000 | $ 3,456,135 | $ 1,000,000 |
| Other Provincial contributions (Note 10) | 1,136,400 | 1,125,420 | 1,153,923 |
| Due to the Province - forgiveness (Note 10) | - | - | 41,390,455 |
| Interest on loans | 500,000 | 514,755 | 573,862 |
| Other investment income | 230,000 | 245,892 | 230,096 |
| Recovery in value of loans receivable and equity investments (Note 4) | 2,100,000 | 190,500 | 801,374 |
| Gain on sale of portfolio investments | - | - | 8,376 |
| | 7,366,400 | 5,532,702 | 45,158,086 |
| **EXPENSES (Note 9)** | | | |
| Administration (Note 10) | 1,115,100 | 1,125,420 | 1,153,923 |
| Allowance for decline in value of loans receivable and equity investments | 400,000 | - | - |
| Bank charges | 1,300 | 2,278 | 1,112 |
| Business Development Support Program | 3,200,000 | 2,100,379 | 806,853 |
| | 4,716,400 | 3,228,077 | 1,961,888 |
| **Annual surplus** | 2,650,000 | 2,304,625 | 43,196,198 |
| **Accumulated surplus (deficit), beginning of year** | 31,961,942 | 31,961,942 | (11,234,256) |
| **Accumulated surplus, end of year** | $ 34,611,942 | $ 34,266,567 | $ 31,961,942 |

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

## BUSINESS INVESTMENT CORPORATION
### STATEMENT OF REMEASUREMENT GAINS AND LOSSES

| For the Year Ended March 31 | 2014 | 2013 |
|---|---|---|
| **Accumulated remeasurement gains, beginning of year** | **$ -** | $ 6,508 |
| Unrealized gains attributable to: | | |
| Portfolio investments | - | 1,868 |
| Amounts reclassified to statement of operations: | | |
| Portfolio investments | - | (8,376) |
| **Net remeasurement (losses) for the year** | - | (6,508) |
| **Accumulated remeasurement gains, end of year** | **$ -** | $ - |

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

## BUSINESS INVESTMENT CORPORATION
### STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
**For the Year Ended March 31**

| | 2014 Budget (Note 11) | 2014 Actual | 2013 Actual |
|---|---|---|---|
| **Annual surplus** | $ 2,650,000 | $ 2,304,625 | $ 43,196,198 |
| **Net remeasurement gains (losses)** | - | - | (6,508) |
| **Increase in net assets / decrease in net debt** | 2,650,000 | 2,304,625 | 43,189,690 |
| **Net financial assets (debt), beginning of year** | 31,961,942 | 31,961,942 | (11,227,748) |
| **Net financial assets, end of year** | $ 34,611,942 | $ 34,266,567 | $ 31,961,942 |

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

## BUSINESS INVESTMENT CORPORATION
### STATEMENT OF CASH FLOWS
### For the Year Ended March 31

| | 2014 | 2013 |
|---|---|---|
| **Operating transactions** | | |
| Annual surplus | **$ 2,304,625** | $ 43,196,198 |
| Adjustment for non-cash items | | |
| Gain on sale of portfolio investments | **-** | (8,376) |
| Recovery in value of loans receivable and equity investments | **(190,500)** | (801,374) |
| Due to the Province - forgiveness | **-** | (41,390,455) |
| | **2,114,125** | 995,993 |
| Change in non-cash working capital | | |
| Due from the Province | **696** | (11,884) |
| Bank interest receivable | **(48)** | (2,610) |
| HST receivable | **(486)** | 1,702 |
| Accounts payable and accrued liabilities | **26,837** | 12,876 |
| **Cash provided from operating transactions** | **2,141,124** | 996,077 |
| **Investing transactions** | | |
| Increase in loans and equity investments | **(4,326,962)** | (1,427,796) |
| Collection of loans and equity investments | **2,850,374** | 3,242,482 |
| Proceeds from portfolio investments | **-** | 17,798 |
| **Cash provided from (applied to) investing transactions** | **(1,476,588)** | 1,832,484 |
| **Increase in cash** | **664,536** | 2,828,561 |
| **Cash, beginning of year** | **23,765,689** | 20,937,128 |
| **Cash, end of year** | **$ 24,430,225** | $ 23,765,689 |

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

## 1. Nature of operations

The Business Investment Corporation (the Corporation) was established under the authority of the *Business Investment Corporation Act*. The Corporation is funded by the Province of Newfoundland and Labrador (the Province) and is responsible for making available and managing investments in small to medium sized private businesses, co-operatives, community development corporations and other enterprises for the purpose of creating employment opportunities for the people of the Province. The Corporation administers three funding programs: the Business Investment Program, the Business Development Support Program and the Aquaculture Working Capital Fund. The affairs of the Corporation are managed by a Board of Directors appointed by the Lieutenant-Governor in Council.

The *Business Investment Corporation Act* came into force effective April 1, 2002. Under this *Act*, the Corporation was incorporated and became the successor to Enterprise Newfoundland and Labrador Corporation, the Fisheries Loan Board and the Farm Development Loan Board.

The Business Investment 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 are prepared by management in accordance with CPSAS for provincial reporting entities established by the Public Sector Accounting Board. Outlined below are the significant accounting policies followed.

### (b) Financial instruments

The Corporation's financial instruments recognized in the statement of financial position consist of cash, due from the Province, bank interest receivable, HST receivable, loans receivable and equity investments, 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, due from the Province, bank interest receivable and HST receivable. Loans receivable and equity investments are measured at amortized cost as disclosed in notes 2(d), 2(e) and 4. Financial liabilities measured at cost include accounts payable and accrued liabilities.

## 2. Summary of significant accounting policies (cont.)

### (b) Financial instruments (cont.)

The carrying values of cash, due from the Province, bank interest receivable, HST receivable, 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 loans receivable and equity investments are considered to approximate market value.

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

### (c) Cash

Cash includes cash in bank.

### (d) Loans receivable

The Corporation records loans receivable at amortized cost. 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, or when payment is contractually past due 90 days. When loans are identified as impaired, the Corporation records an allowance to reduce their carrying values to their estimated realizable amounts. Estimated realizable amounts are measured at discounted cash flows when the cash flows can be estimated with reasonable reliability. Changes in the allowance are recognized in the statement of operations.

### (e) Equity investments

The Corporation records equity investments at amortized cost. The Corporation's equity investments for all companies are accounted for on the amortized cost basis with an allowance being made for any decline in their value considered to be other than temporary. Equity investments are tested annually for impairment and changes in the allowance for impaired investments are recognized in the statement of operations.

## 2. Summary of significant accounting policies (cont.)

### (f) 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 all loans other than the impaired portion of loans. Recognition of interest in accordance with the terms of the original loan agreement ceases when a loan becomes impaired. The impaired portion of loans may revert to accrual status only when principal and interest payments have become fully current again, at which time any interest will be recognized in that fiscal year.

Government transfers (contributions 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 stipulation liabilities are settled.

### (g) 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.

The Corporation is administered as a division of the Department of Innovation, Business and Rural Development. Expenses related to salaries, accommodations and administration are paid directly by the Department and are reflected in these financial statements as expenses of the Corporation and as revenue from the Province.

Transfers (grants under the Business Development Support Program) 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.

### (h) Measurement uncertainty

The preparation of financial statements in conformity with CPSAS 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 collectability of the loans and equity investments.

## 2. Summary of significant accounting policies (cont.)

### (h) Measurement uncertainty (cont.)

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. Cash

| | 2014 | 2013 |
|---|---|---|
| Aquaculture Working Capital Fund | $ 783,922 | $ 762,311 |
| Business Investment Program | 18,225,097 | 18,999,802 |
| Business Development Support Program | 5,420,999 | 4,002,874 |
| Other | 207 | 702 |
| | $ 24,430,225 | $ 23,765,689 |

## 4. Loans receivable and equity investments

| | 2014 | 2013 |
|---|---|---|
| **Loans receivable** | | |
| Principal due and unpaid | $ 10,307,113 | $ 13,753,619 |
| Principal not yet due | 12,150,040 | 12,087,541 |
| Interest due and unpaid | 1,206,004 | 1,615,657 |
| | 23,663,157 | 27,456,817 |
| Less: allowance for decline in value | (13,998,812) | (19,445,346) |
| | 9,664,345 | 8,011,471 |
| **Equity investments** | | |
| Equity investments, at cost | 12,675,731 | 13,463,190 |
| Less: allowance for decline in value | (12,496,642) | (13,298,315) |
| | 179,089 | 164,875 |
| **Loans receivable and equity investments** | $ 9,843,434 | $ 8,176,346 |

## 4. Loans receivable and equity investments (cont.)

Generally, for loans, the loan terms are 3 years for working capital loans, 10 years for loans for equipment purchases and leasehold improvements and 15 years for loans for the purchase or renovation of land and buildings. The interest rate on loans is fixed and ranges from 0% to 12%. The Corporation obtains security against its loans which generally consists of demand promissory notes, general security agreements, collateral mortgages and personal guarantees.

Generally, for equity investments, redemption will be the earlier of 20% of annual after tax cash flows or 7 years. There is no interest or dividend rate charged on equity investments but in some cases a return on investment is expected from declared dividends or growth of shares. The Corporation obtains security against its equity investments which generally consists of share certificates and shareholder subordination agreements.

The determination of whether a loan is impaired and the appropriate carrying value of equity investments involve significant judgment. The estimation of an appropriate allowance for decline in value of loans receivable and equity investments necessarily involves the use of estimates. These financial statements represent management's best estimates based on available information.

The allowance for decline in value represents the Corporation's best estimate of future probable losses with respect to the loans receivable and equity investments. The Corporation recognizes that future economic and industry conditions are not predictable and therefore, their impact on the future cash flows anticipated is uncertain. Consequently, adjustments to the allowance are possible depending on the impact of these future events and management's best estimate of them.

The allowance for decline in value of loans receivable and equity investments consists of the following:

| | **2014** | 2013 |
|---|---|---|
| **Balance, beginning of year** | **$ 32,743,661** | $ 37,167,790 |
| Principal written off, net of recoveries | **(5,624,131)** | (1,992,722) |
| Interest written off, net of recoveries | **(433,576)** | (1,630,033) |
| Recovery in value of loans receivable and equity investments | **(190,500)** | (801,374) |
| **Balance, end of year** | **$ 26,495,454** | $ 32,743,661 |

## 5. Accounts payable and accrued liabilities

| | 2014 | 2013 |
|---|---|---|
| Accrued salaries | **$ 10,188** | $ 10,885 |
| Accounts payable | **14,000** | 14,991 |
| Business Development Support Program | **23,835** | - |
| Business Investment Program | **4,690** | - |
| | **$ 52,713** | $ 25,876 |

## 6. Contingent liabilities

A client of the Corporation has taken legal action as a result of certain alleged technical problems that the client claims to have experienced with a vessel that was financed through the former Fisheries Loan Board. The amount of this potential claim is in the range of $900,000 to $1,100,000. No provision has been made for this claim as the likelihood of loss is not determinable at this time.

## 7. Contractual obligations

The Corporation has contractual obligations in respect of approved but not yet disbursed loans, equity investments and grants in the amount of $2,791,805 (2013 - $2,885,344).

## 8. 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 Corporation is exposed to credit risk, liquidity risk and market risk through its financial instruments. 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 the Province, bank interest receivable, HST receivable, loans receivable and equity investments. 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 due from the Province, bank interest receivable and HST receivable because of their nature.

## 8. Financial risk management (cont.)

The Corporation is exposed to credit risk related to its loans receivable and equity investments. The Corporation has policies and procedures for the monitoring and collection of its loans receivable and equity investments, including security being held, so as to mitigate potential credit losses. The Corporation classifies its loan receivables and equity investments as impaired in accordance with note 2(d), 2(e) and note 4. Any estimated impairment of loans receivable and equity investments has been provided for through an allowance for decline in value as disclosed in note 4. Loans receivable and equity investments which are not impaired or past due are considered collectible by the Corporation.

As disclosed in note 4, the Corporation reported loans receivable totaling $23,663,157 as at March 31, 2014 (2013 - $27,456,817). Principal due and unpaid of $10,307,113 (2013 - $13,753,619) was overdue by portfolio as follows.

| Loan Portfolio | Days Overdue | | | | |
|---|---|---|---|---|---|
| | 1-30 | 31-60 | 61-90 | >90 | Total |
| Aquaculture Working Capital Fund | $ - | $ - | $ - | $ 592,734 | $ 592,734 |
| Business Investment Corporation | 38,712 | 10,813 | 8,379 | 865,616 | 923,520 |
| Former Enterprise Newfoundland and Labrador | 4,398 | 4,337 | 4,422 | 7,375,543 | 7,388,700 |
| Former Farm Loan Board | - | - | - | 710,309 | 710,309 |
| Former Fisheries Loan Board | - | - | - | 691,850 | 691,850 |
| **Total Principal Past Due** | **$ 43,110** | **$ 15,150** | **$ 12,801** | **$10,236,052** | **$ 10,307,113** |

### 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 and its ability to meet its contractual obligations for approved but not yet disbursed loans, equity investments and grants as outlined in Note 7. The Corporation manages liquidity risk by monitoring its cash flows and ensuring that it has sufficient resources available to meet its financial liabilities and contractual obligations.

### 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 or other price risk. In addition, the Corporation is not exposed to significant interest rate risk as its loans and equity investments are provided at fixed interest rates.

## 9. Expenses by Object

The following is a summary of expenses by object:

| | 2014 | 2013 |
|---|---|---|
| Bank charges | $ 2,278 | $ 1,112 |
| Grants and subsidies | 2,100,379 | 808,255 |
| Professional services | 14,000 | 14,400 |
| Property, furnishings and equipment | 163 | 3,002 |
| Purchased services | 82,677 | 72,793 |
| Salaries and benefits | 1,000,819 | 1,040,848 |
| Supplies | 9,373 | 6,485 |
| Transportation and communication | 18,388 | 14,993 |
| | $ 3,228,077 | $ 1,961,888 |

## 10. Related party transactions

The Corporation had the following transactions with the Province:

| | 2014 | 2013 |
|---|---|---|
| Business Development Support Program | $ 3,456,135 | $ 1,000,000 |
| Other Provincial contributions | 1,125,420 | 1,153,923 |
| Due to the Province - forgiveness | - | 41,390,455 |
| | $ 4,581,555 | $ 43,544,378 |

The Corporation is administered as a division of the Department of Innovation, Business and Rural Development. Administration expenses $1,125,420 (2013 - $1,153,923) are paid directly by the Province and are reflected in these financial statements as expenses of the Corporation and as revenue from the Province. Included in this total is $107,183 (2013 - $110,933) related to the employer's share of employee benefits, paid by the Department of Finance on behalf of the Corporation.

## 11. Budget

The Corporation's budget has been provided for comparison purposes and has been derived from the estimates approved by the management of the Corporation.

# C.A. PIPPY PARK COMMISSION

# CONSOLIDATED FINANCIAL STATEMENTS

# MARCH 31, 2014

**Management's Report**

***Management's Responsibility for the C.A. Pippy Park Commission Consolidated Financial Statements***

The consolidated 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 consolidated financial statements, and for ensuring that this information is consistent, where appropriate, with the information contained in the consolidated 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 periodically and external audited consolidated financial statements yearly.

The Auditor General conducts an independent audit of the annual consolidated financial statements of the Commission 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 C.A. Pippy Park Commission.

On behalf of the C.A. Pippy Park Commission.

Mr. Ric Mercer
Executive Director

# INDEPENDENT AUDITOR'S REPORT

To the Chairperson and Members of the Board of Directors
C.A. Pippy Park Commission
St. John's, Newfoundland and Labrador

**Report on the Consolidated Financial Statements**

I have audited the accompanying consolidated financial statements of the C.A. Pippy Park Commission which comprise the consolidated statement of financial position as at March 31, 2014, the consolidated statements of operations, change in net debt, and cash flows for the year then ended, and 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.

*Auditor's Responsibility*

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I 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 the auditor's 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, the auditor considers 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.

## Independent Auditor's Report (cont.)

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

*Opinion*

In my opinion the consolidated financial statements present fairly, in all material respects, the financial position of the C.A. Pippy Park Commission as at March 31, 2014 and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

**TERRY PADDON, CA**
**Auditor General**

July 11, 2014
St. John's, Newfoundland and Labrador

## C.A. PIPPY PARK COMMISSION
### CONSOLIDATED STATEMENT OF FINANCIAL POSITION
### As at March 31

| | 2014 | 2013 |
|---|---|---|
| **FINANCIAL ASSETS** | | |
| Cash | $ 750,019 | $ 520,169 |
| Accounts receivable (Note 4) | 40,876 | 34,267 |
| Inventories held for resale | 18,185 | 23,622 |
| | 809,080 | 578,058 |
| **LIABILITIES** | | |
| Accounts payable and accrued liabilities | 107,527 | 156,255 |
| Deferred revenue (Note 5) | 98,074 | 92,101 |
| Obligations under capital leases (Note 6) | 141,087 | 114,190 |
| Employee future benefits (Note 7) | 224,015 | 208,217 |
| Advance from Province of Newfoundland and Labrador (Note 8) | 250,000 | 250,000 |
| | 820,703 | 820,763 |
| **Net debt** | (11,623) | (242,705) |
| **NON-FINANCIAL ASSETS** | | |
| Prepaid expenses | 20,329 | 19,223 |
| Inventories held for use | 16,967 | 16,316 |
| Tangible capital assets (Note 9) | 9,115,845 | 9,267,717 |
| | 9,153,141 | 9,303,256 |
| **Accumulated surplus** | $ 9,141,518 | $ 9,060,551 |

**Contractual obligations (Note 14)**

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

**Signed on behalf of the Board:** ______________________ **Chairperson** ______________________ **Member**

Office of the Auditor General

## C.A. PIPPY PARK COMMISSION
### CONSOLIDATED STATEMENT OF OPERATIONS
For the Year Ended March 31

| | 2014 Budget | 2014 Actual | 2013 Actual |
|---|---|---|---|
| | (Note 17) | | |
| **REVENUES (Note 11)** | | | |
| Province of Newfoundland and Labrador | | | |
| Operating grant | $ 523,000 | $ 523,000 | $ 579,000 |
| Golf course (Note 12) | 1,015,700 | 1,041,112 | 1,000,996 |
| Trailer park (Note 13) | 585,700 | 572,574 | 585,956 |
| Services | 265,000 | 285,575 | 262,196 |
| Rental | 60,000 | 54,103 | 64,071 |
| Driving range | 50,000 | 50,961 | 54,224 |
| Miscellaneous | 10,000 | 11,953 | 12,113 |
| Advertising | 12,000 | 11,062 | 11,912 |
| Interest | - | 6,208 | 4,971 |
| | 2,521,400 | 2,556,548 | 2,575,439 |
| **EXPENSES (Note 11)** | | | |
| Golf course | 1,000,912 | 983,647 | 973,062 |
| Trailer park | 301,500 | 267,212 | 257,519 |
| General park | 589,500 | 497,919 | 505,003 |
| Administration and other | 905,500 | 726,803 | 784,327 |
| | 2,797,412 | 2,475,581 | 2,519,911 |
| **Annual (deficit) surplus** | (276,012) | 80,967 | 55,528 |
| **Accumulated surplus, beginning of year** | 9,060,551 | 9,060,551 | 9,005,023 |
| **Accumulated surplus, end of year** | $ 8,784,539 | $ 9,141,518 | $ 9,060,551 |

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

# C.A. PIPPY PARK COMMISSION
## CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT
### For the Year Ended March 31

| | 2014 Budget | 2014 Actual | 2013 Actual |
|---|---|---|---|
| | (Note 17) | | |
| Annual (deficit) surplus | $ (276,012) | $ 80,967 | $ 55,528 |
| **Changes in tangible capital assets** | | | |
| Acquisition of tangible capital assets | - | (110,270) | (35,705) |
| Loss on disposal of tangible capital assets | - | 1,620 | 341 |
| Amortization of tangible capital assets | 290,000 | 260,522 | 283,267 |
| | 290,000 | 151,872 | 247,903 |
| **Changes in other non-financial assets** | | | |
| Use of prepaid expenses | - | 19,223 | 17,785 |
| Acquisition of prepaid expenses | - | (20,329) | (19,223) |
| Net acquisition of inventories held for use | - | (651) | (969) |
| | - | (1,757) | (2,407) |
| **Decrease in net debt** | 13,988 | 231,082 | 301,024 |
| **Net debt, beginning of year** | (242,705) | (242,705) | (543,729) |
| **Net debt, end of year** | $ (228,717) | $ (11,623) | $ (242,705) |

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

# C.A. PIPPY PARK COMMISSION
## CONSOLIDATED STATEMENT OF CASH FLOWS

| For the Year Ended March 31 | 2014 | 2013 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Annual surplus | **$ 80,967** | $ 55,528 |
| Adjustment for non-cash items | | |
| Amortization | **260,522** | 283,267 |
| Loss on disposal of tangible capital assets | **1,620** | 341 |
| | **343,109** | 339,136 |
| Changes in non-cash working capital | | |
| Accounts receivable | **(6,609)** | (8,959) |
| Inventories held for resale | **5,437** | 6,441 |
| Prepaid expenses | **(1,106)** | (1,438) |
| Inventories held for use | **(651)** | (969) |
| Accounts payable and accrued liabilities | **(48,728)** | 32,718 |
| Deferred revenue | **5,973** | 13,192 |
| Employee future benefits | **15,798** | (58,159) |
| **Cash provided from operating transactions** | **313,223** | 321,962 |
| **Capital transactions** | | |
| Additions to tangible capital assets - purchased from operations | **(25,653)** | (25,505) |
| Additions to tangible capital assets - purchased under capital lease | **(84,617)** | (10,200) |
| **Cash applied to capital transactions** | **(110,270)** | (35,705) |
| **Financing transactions** | | |
| Increase in capital lease obligations | **84,617** | 10,200 |
| Repayment of capital lease obligations | **(57,720)** | (80,905) |
| **Cash provided from (applied to) financial transactions** | **26,897** | (70,705) |
| **Net increase in cash** | **229,850** | 215,552 |
| **Cash, beginning of year** | **520,169** | 304,617 |
| **Cash, end of year** | **$ 750,019** | $ 520,169 |

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

## 1. Nature of operations

The C.A. Pippy Park Commission (the Commission) was incorporated in 1968 and operates under the authority of the *Pippy Park Commission Act.* The purpose of the Commission is to provide a park-like setting to house the headquarters of the Provincial Government, as well as various government, cultural, educational facilities and Memorial University of Newfoundland. Its affairs are managed by a Board of Commissioners, the majority of whom are appointed by the Lieutenant-Governor in Council.

The C.A. Pippy Park Golf Course Limited (the Golf Course) was incorporated on January 6, 2006, under the *Corporations Act.* It is a wholly owned subsidiary of the Commission, incorporated in accordance with Section 25(b)(i) of the *Pippy Park Commission Act.* Its purpose is to manage the Pippy Park Golf Course.

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

The consolidated financial statements include the assets, liabilities and accumulated surplus of the C.A. Pippy Park Commission and its subsidiary corporation, C.A. Pippy Park Golf Course Limited. Inter-entity transactions and balances have been eliminated in these consolidated financial statements.

### (b) Financial instruments

The Commission's financial instruments recognized in the consolidated statement of financial position consist of cash, accounts receivable, accounts payable and accrued liabilities and obligations under capital leases. The Commission 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.

**2. Summary of significant accounting policies (cont.)**

**(b) Financial instruments (cont.)**

The Commission subsequently measures all of its financial assets and financial liabilities at cost or amortized cost. Of the financial assets, cash is measured at cost while accounts receivable is measured at amortized cost. Financial liabilities measured at cost include accounts payable and accrued liabilities. Obligations under capital leases are recorded at amortized cost.

The carrying values of cash, accounts receivable, accounts payable and accrued liabilities, and obligations under capital leases approximate current fair value due to their nature and/or the short-term maturity associated with these instruments.

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

**(c) Cash**

Cash includes cash in bank.

**(d) Tangible capital assets**

All tangible capital assets are recorded at cost at the time of acquisition, which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets.

Capital lease obligations are recorded at the present value of the minimum lease payments excluding executor costs (e.g. insurance, maintenance costs, etc.). The discount rate used to determine the present value of the lease payments is the interest rate implicit in the lease.

The cost, less residual value, of the tangible capital assets, is amortized using the declining balance method over the expected useful lives as follows:

| | |
|---|---|
| Furniture and equipment | 30% |
| Vehicles | 30% |
| Equipment under capital leases | 30% |
| Buildings | 10% |
| Park improvements | 10% |
| Golf course improvements | 10% |

The cost of building acquisitions is included with land where the primary reason for purchasing the properties is to acquire the land. Where the Commission intends to maintain the buildings for Park use, cost is allocated between land and buildings.

**2. Summary of significant accounting policies (cont.)**

**(d) Tangible capital assets (cont.)**

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Commission's ability to provide 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 consolidated statement of operations.

**(e) Inventories held for resale**

Inventories held for resale, including confectionary and golf supplies, are recorded at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis.

**(f) Inventories held for use**

Inventories held for use include supplies and are recorded at the lower of historical cost and replacement cost.

**(g) Prepaid expenses**

Prepaid expenses are recorded as an expense over the periods expected to benefit from it.

**(h) Employee future benefits**

(i) Certain employees of the Commission are entitled to severance pay. Severance pay for entitled employees is calculated based on years of service and current salary levels. Entitlement to severance pay vests with employees after nine years of continuous service and, accordingly, a liability has been recorded for these employees. For employees with less than nine years of continuous service, the Commission has made a provision in the accounts for the payment of severance which is based upon the Commission's best estimate of the probability of having to pay severance to the employees and current salary levels. Severance is payable when the employee ceases employment with the Commission unless the employee transfers to another entity in the public service in which case the liability is transferred with the employee to the other entity.

(ii) The employees of the Commission represented by the Newfoundland and Labrador Association of Public and Private Employees (NAPE) and certain management employees are subject to the *Public Service Pensions Act, 1991*. Employee contributions are matched by the Commission and then remitted to the Province of Newfoundland and Labrador Pooled Pension Fund from which pensions will be paid to employees when they retire. Contributions of the Commission to the plan are recorded as an expense for the year.

**2. Summary of significant accounting policies (cont.)**

**(h) Employee future benefits (cont.)**

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

**(i) 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.

Revenue related to fees or services received in advance of the fee being earned or the service being performed is deferred and recognized as revenue in the fiscal year the fee is earned or the service is performed.

The Commission recognizes government transfers as revenues when the transfer is authorized and any eligibility criteria are met, except when and 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 consolidated statement of operations as the stipulation liabilities are settled. Government transfers consist of an operating grant from the Province of Newfoundland and Labrador.

**(j) 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.

**(k) Measurement uncertainty**

The preparation of consolidated financial statements in conformity with CPSAS 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 consolidated financial statements and the reported amounts of the revenues and expenses during the period. Items requiring the use of significant estimates include the expected future life of tangible capital assets and estimated employee future benefits.

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

## 3. Accounting pronouncement

In June 2010, the PSAB approved Section PS 3260, *Liability for Contaminated Sites*. This section is effective for fiscal years beginning on or after April 1, 2014, for government organizations. The Section establishes recognition, measurement and disclosure standards for liabilities relating to contaminated sites of government organizations. The Commission is evaluating the impact of this new section.

## 4. Accounts receivable

| | **2014** | 2013 |
|---|---|---|
| Trade | **$ 38,502** | $ 21,359 |
| Harmonized sales tax | **8,082** | 18,616 |
| | **46,584** | 39,975 |
| Less: allowance for doubtful accounts | **(5,708)** | (5,708) |
| Net accounts receivable | **$ 40,876** | $ 34,267 |

## 5. Deferred revenue

| | **2014** | 2013 |
|---|---|---|
| Golf course | **$ 68,906** | $ 63,108 |
| Clubhouse | **12,840** | 14,344 |
| Rental | **7,840** | 8,919 |
| Trailer park | **8,488** | 5,730 |
| | **$ 98,074** | $ 92,101 |

Golf course deferred revenue relates to golf packages and gift certificates sold during the fiscal year that relate to the 2014 golf season. Clubhouse deferred revenue relates to deposits received on salon rentals for future periods. Rental deferred revenue relates to deposits received on reservations at the Northbank Lodge for future periods and a property lease payment received that relates to the 2014-15 fiscal year. Trailer park deferred revenue relates to deposits received on reservations.

## 6. Obligations under capital leases

The Commission has financed property for golf course operations, general park and administration through capital leases.

| | **2014** | 2013 |
|---|---|---|
| Obligations under capital leases | **$ 141,087** | $ 114,190 |

## 6. Obligations under capital leases (cont.)

Future minimum lease payments under capital leases are:

| | |
|---|---|
| 2015 | $ 62,091 |
| 2016 | 54,885 |
| 2017 | 23,522 |
| 2018 | 14,103 |
| | 154,601 |
| Less: interest portion of payments | 13,514 |
| | $ 141,087 |

The capital leases are secured by equipment having a net book value of $160,052.

## 7. Employee future benefits

| | **2014** | 2013 |
|---|---|---|
| Vested severance benefits | **$ 118,038** | $ 112,325 |
| Non-vested severance benefits | **40,449** | 34,218 |
| Provision for accumulating, non-vesting, sick leave | **65,528** | 61,674 |
| | **$ 224,015** | $ 208,217 |

Pension contributions

The employees of the Commission represented by the NAPE and certain management employees are subject to the *Public Service Pensions Act, 1991*. The Government of Newfoundland and Labrador administers the Public Service Pension Plan, including payment of pension benefits to employees to whom the *Act* applies. The Public Service Pension Plan is a multi-employer, defined benefit plan.

The plan provides a pension to employees based on the age of its members at retirement, length of service and the average of their best five years of earnings. The maximum contribution rate for eligible employees was 8.6% (2013 - 8.6%). The Commission contributes an amount equal to the employee contributions to the plan. The Commission is not required to make contributions in respect of any actuarial deficiencies of the plan. Total pension expense for the Commission for the year ended March 31, 2014, was $52,074 (2013 - $57,712).

## 8. Advance from Province of Newfoundland and Labrador

On March 30, 2001, the Commission received a repayable advance in the amount of $250,000 from the Province of Newfoundland and Labrador. There are no set terms of repayment. The advance payable remained outstanding at year end.

## 9. Tangible capital assets

**Original cost**

| | Balance March 31, 2013 | Additions | Disposals | Balance March 31, 2014 |
|---|---|---|---|---|
| Park | | | | |
| Land | $ 5,429,850 | $ - | $ - | $ 5,429,850 |
| Furniture and equipment | 298,042 | 3,022 | 19,840 | 281,224 |
| Vehicles | 24,106 | - | - | 24,106 |
| Equipment under capital leases | 108,023 | 39,914 | 6,112 | 141,825 |
| Buildings | 1,689,605 | - | - | 1,689,605 |
| Park improvements | 1,791,558 | - | - | 1,791,558 |
| Golf course | | | | |
| Land | 1,809,696 | - | - | 1,809,696 |
| Golf course improvements | 1,346,311 | - | - | 1,346,311 |
| Buildings | 530,469 | - | - | 530,469 |
| Equipment under capital leases | 218,134 | 44,703 | - | 262,837 |
| Furniture and equipment | 384,708 | 22,631 | 939 | 406,400 |
| | $ 13,630,502 | $ 110,270 | $ 26,891 | $ 13,713,881 |

## 9. Tangible capital assets (cont.)

**Accumulated amortization**

| | Balance March 31, 2013 | Amortization | Accumulated amortization on disposals | Balance March 31, 2014 | Net book value March 31, 2014 | Net book value March 31, 2013 |
|---|---|---|---|---|---|---|
| Park | | | | | | |
| Land | $ - | $ - | $ - | $ - | **$ 5,429,850** | $ 5,429,850 |
| Furniture and equipment | 275,634 | 6,994 | 19,513 | 263,115 | **18,109** | 22,408 |
| Vehicles | 23,824 | 85 | - | 23,909 | **197** | 282 |
| Equipment under capital leases | 92,217 | 10,729 | 5,052 | 97,894 | **43,931** | 15,806 |
| Buildings | 1,343,627 | 34,266 | - | 1,377,893 | **311,712** | 345,978 |
| Park improvements | 1,160,189 | 62,250 | - | 1,222,439 | **569,119** | 631,369 |
| Golf course | | | | | | |
| Land | - | - | - | - | **1,809,696** | 1,809,696 |
| Golf course improvements | 754,566 | 59,175 | - | 813,741 | **532,570** | 591,745 |
| Buildings | 284,414 | 24,606 | - | 309,020 | **221,449** | 246,055 |
| Equipment under capital leases | 106,530 | 40,186 | - | 146,716 | **116,121** | 111,604 |
| Furniture and equipment | 321,784 | 22,231 | 706 | 343,309 | **63,091** | 62,924 |
| | $ 4,362,785 | $ 260,522 | $ 25,271 | $ 4,598,036 | **$ 9,115,845** | $ 9,267,717 |

**9. Tangible capital assets (cont.)**

**(a) Tangible capital assets not included in consolidated financial statements**

Land purchased directly by the Provincial Government and forming part of C.A. Pippy Park is not recorded in these consolidated financial statements. The land recorded in these consolidated financial statements represents land purchased directly by the Commission.

Capital improvements made by third parties are not recorded in these consolidated financial statements.

**(b) Title to Commission property**

Under Section 10(4) of the *Pippy Park Commission Act*, title to property of the Commission is vested in the name of the Minister of Environment and Conservation, for the Crown.

**10. Related party transactions**

(a) During the year, the Commission received an operating grant of $523,000 (2013 - $579,000) from the Province.

(b) Services and rental revenue include revenues from the Province in the amount of $245,425 (2013 - $228,011) as a result of ongoing contracts.

## 11. Segmented information

The Commission reports its revenue and expenses by program area.

| | Golf course | | Trailer park | | General park | | Administration | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| **Revenues** | | | | | | | | | | |
| Province of Newfoundland and Labrador operating grant | $ - | $ - | $ - | $ - | $ - | $ - | $ 523,000 | $579,000 | $523,000 | $579,000 |
| Golf course (Note 12) | 1,041,112 | 1,000,996 | - | - | - | - | - | - | 1,041,112 | 1,000,996 |
| Trailer park (Note 13) | - | - | 572,574 | 585,956 | - | - | - | - | 572,574 | 585,956 |
| Services | - | - | - | - | 285,575 | 262,196 | - | - | 285,575 | 262,196 |
| Rental | - | - | - | - | - | - | 54,103 | 64,071 | 54,103 | 64,071 |
| Driving range | 50,961 | 54,224 | - | - | - | - | - | - | 50,961 | 54,224 |
| Miscellaneous | 235 | 1,092 | - | - | - | - | 11,718 | 11,021 | 11,953 | 12,113 |
| Advertising | 11,062 | 11,912 | - | - | - | - | - | - | 11,062 | 11,912 |
| Interest | 1,606 | 1,298 | - | - | - | - | 4,602 | 3,673 | 6,208 | 4,971 |
| | 1,104,976 | 1,069,522 | 572,574 | 585,956 | 285,575 | 262,196 | 593,423 | 657,765 | 2,556,548 | 2,575,439 |
| **Expenses** | | | | | | | | | | |
| Advertising and promotion | 2,005 | 3,756 | 2,734 | 3,356 | - | - | 1,538 | 1,595 | 6,277 | 8,707 |
| Amortization | 63,436 | 68,002 | - | - | - | - | 197,086 | 215,265 | 260,522 | 283,267 |
| Bank charges | 22,382 | 18,903 | - | - | - | - | 17,122 | 16,626 | 39,504 | 35,529 |
| Building maintenance | 58,781 | 42,159 | 13,954 | 10,594 | 4,221 | 2,916 | 10,983 | 13,289 | 87,939 | 68,958 |
| Course maintenance | 73,259 | 70,017 | - | - | - | - | - | - | 73,259 | 70,017 |
| Driving range | 11,374 | 17,943 | - | - | - | - | - | - | 11,374 | 17,943 |
| Equipment maintenance | 25,494 | 32,653 | - | - | 30,382 | 29,955 | - | - | 55,876 | 62,608 |
| Fuel | 37,094 | 36,372 | - | - | 32,463 | 29,938 | - | - | 69,557 | 66,310 |
| Heat, light and telephone | 52,108 | 46,824 | 42,445 | 43,942 | 19,225 | 17,894 | 32,822 | 33,038 | 146,600 | 141,698 |
| Honoraria | - | - | - | - | - | - | 420 | - | 420 | - |
| Insurance | 24,727 | 23,200 | - | - | - | - | 42,243 | 40,580 | 66,970 | 63,780 |
| Interest on capital lease obligations | 8,109 | 9,628 | - | - | - | - | 66 | 1,838 | 8,175 | 11,466 |
| Loss on disposal of tangible capital assets | 233 | - | - | - | - | - | 1,387 | 341 | 1,620 | 341 |
| Miscellaneous | 2,556 | 5,039 | 432 | 1,293 | 3,186 | 3,499 | 3,138 | 2,954 | 9,312 | 12,785 |
| Office | 5,991 | 4,429 | 594 | 594 | - | - | 7,658 | 7,592 | 14,243 | 12,615 |
| Professional fees | 11,989 | 10,818 | 1,338 | 2,208 | - | - | 18,326 | 13,666 | 31,653 | 26,692 |
| Salaries and employee benefits | 575,568 | 574,383 | 196,817 | 187,670 | 391,226 | 406,486 | 390,664 | 433,497 | 1,554,275 | 1,602,036 |
| Supplies | 8,541 | 8,033 | 8,898 | 7,317 | 16,971 | 14,085 | 3,105 | 2,959 | 37,515 | 32,394 |
| Training | - | - | - | 545 | 245 | 230 | 245 | 265 | 490 | 1,040 |
| Travel | - | 903 | - | - | - | - | - | 822 | - | 1,725 |
| | 983,647 | 973,062 | 267,212 | 257,519 | 497,919 | 505,003 | 726,803 | 784,327 | 2,475,581 | 2,519,911 |
| **Annual surplus (deficit)** | $121,329 | $ 96,460 | $305,362 | $328,437 | $(212,344) | $(242,807) | $(133,380) | $(126,562) | $80,967 | $55,528 |

## 12. Golf Course revenue

### Course operations

| | 2014 Budget | 2014 Actual | 2013 Actual |
|---|---|---|---|
| Green fees | $ 635,000 | $ 660,663 | $ 631,879 |
| Rentals | 164,000 | 162,515 | 162,295 |
| | 799,000 | 823,178 | 794,174 |
| Proshop sales | 20,000 | 23,389 | 19,166 |
| Less: cost of goods sold | 7,800 | 13,139 | 7,188 |
| | 12,200 | 10,250 | 11,978 |
| **Course operations** | 811,200 | 833,428 | 806,152 |
| **Clubhouse operations** | | | |
| Salon rentals | 46,500 | 43,888 | 44,101 |
| Catering commissions | 55,000 | 51,938 | 47,972 |
| | 101,500 | 95,826 | 92,073 |
| Salon sales | 177,000 | 187,890 | 176,025 |
| Less: cost of goods sold | 74,000 | 76,032 | 73,254 |
| | 103,000 | 111,858 | 102,771 |
| **Clubhouse operations** | 204,500 | 207,684 | 194,844 |
| | $ 1,015,700 | $ 1,041,112 | $ 1,000,996 |

## 13. Trailer park revenue

| | 2014 Budget | 2014 Actual | 2013 Actual |
|---|---|---|---|
| Registration fees | $ 584,000 | $ 559,519 | $ 573,225 |
| Mini golf | 1,700 | - | 1,733 |
| | 585,700 | 559,519 | 574,958 |
| Sales | - | 37,641 | 39,482 |
| Less: cost of goods sold | - | 24,586 | 28,484 |
| | - | 13,055 | 10,998 |
| | $ 585,700 | $ 572,574 | $ 585,956 |

## 14. Contractual obligations

A vehicle and equipment have been leased by the Commission. Minimum lease payments over the remaining term of the leases are as follows:

| | |
|---|---|
| 2015 | $ 8,938 |
| 2016 | 7,508 |
| 2017 | 7,508 |
| 2018 | 1,244 |
| 2019 | 311 |
| | $ 25,509 |

## 15. Financial risk management

The Commission 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 Commission is exposed to through its financial instruments are credit risk, liquidity risk and market risk. There was no significant change in the Commission's exposure to these risks or its processes for managing these risks from the prior year.

**15. Financial risk management (cont.)**

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 Commission's main credit risk relates to cash and accounts receivable. The Commission's maximum exposure to credit risk is the carrying amounts of these financial instruments. The Commission is not exposed to significant credit risk with its cash because this financial instrument is held with a Chartered Bank. Also, it is not exposed to significant credit risk related to the harmonized sales tax receivable due to its nature. The Commission is exposed to credit risk related to its trade accounts receivable. Any estimated impairment of accounts receivable has been provided for through an allowance.

Liquidity risk

Liquidity risk is the risk that the Commission will be unable to meet its financial liabilities and contractual obligations. The Commission's exposure to liquidity risk relates mainly to its accounts payable and accrued liabilities, its obligations under capital leases as disclosed in Note 6, and its contractual obligations as disclosed in Note 14. The Commission manages liquidity risk by monitoring its cash flows and ensuring that it has sufficient resources available to meet its financial liabilities.

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 Commission is not exposed to significant foreign exchange or other price risk. In addition, the Commission is not exposed to interest rate risk on the obligations under capital leases as the interest rates are fixed to maturity.

**16. Comparative figures**

Certain comparative figures as at March 31, 2013, have been reclassified to conform to current year's presentation.

**17. Budgeted figures**

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

**18. 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 Commission. For non-financial assets, the future economic benefit consists of their capacity to render service to further the Commission's objectives.

# C.A. PIPPY PARK GOLF COURSE LIMITED

## FINANCIAL STATEMENTS

## MARCH 31, 2014

## Management's Report

***Management's Responsibility for the C.A. Pippy Park Golf Course Limited 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 periodically 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 C.A. Pippy Park Golf Course Limited.

On behalf of the C.A. Pippy Park Golf Course Limited.

Mr. Ric Mercer
Executive Director

June 20, 2014

## INDEPENDENT AUDITOR'S REPORT

To the Chairperson and Members of the Board of Directors
C.A. Pippy Park Golf Course Limited
St. John's, Newfoundland and Labrador

**Report on the Financial Statements**

I have audited the accompanying financial statements of the C.A. Pippy Park Golf Course Limited which comprise the statement of financial position as at March 31, 2014, the statements of operations, change in net debt, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

*Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these 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.

*Auditor's Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 financial statements.

## Independent Auditor's Report (cont.)

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

*Opinion*

In my opinion, the financial statements present fairly, in all material respects, the financial position of the C.A. Pippy Park Golf Course Limited as at March 31, 2014, and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

**TERRY PADDON, CA**
**Auditor General**

June 20, 2014
St. John's, Newfoundland and Labrador

# C.A. PIPPY PARK GOLF COURSE LIMITED
## STATEMENT OF FINANCIAL POSITION

| As at March 31 | 2014 | 2013 |
|---|---|---|
| **FINANCIAL ASSETS** | | |
| Cash | $ 215,800 | $ 173,957 |
| Accounts receivable (Note 3) | 25,039 | 22,436 |
| Inventories held for resale | 17,778 | 23,231 |
| | 258,617 | 219,624 |
| **LIABILITIES** | | |
| Accounts payable and accrued liabilities (Note 4) | 79,793 | 86,086 |
| Deferred revenue (Note 5) | 81,746 | 77,452 |
| Obligations under capital leases (Note 6) | 107,825 | 113,328 |
| Employee future benefits (Note 7) | 51,138 | 47,646 |
| | 320,502 | 324,512 |
| **Net debt** | (61,885) | (104,888) |
| **NON-FINANCIAL ASSETS** | | |
| Prepaid expenses | 2,250 | 1,870 |
| Inventories held for use | 1,400 | - |
| Tangible capital assets (Note 8) | 194,188 | 190,522 |
| | 197,838 | 192,392 |
| **Accumulated surplus** | $ 135,953 | $ 87,504 |

**Contractual obligations (Note 12)**

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

**Signed on behalf of the Board of Directors:** ______________ **Chairperson** ______________ **Member**

## C.A. PIPPY PARK GOLF COURSE LIMITED
### STATEMENT OF OPERATIONS
### For the Year Ended March 31

| | 2014 Budget (Note 14) | 2014 Actual | 2013 Actual |
|---|---|---|---|
| **REVENUE** | | | |
| Golf course (Note 9) | $ 811,200 | $ 833,428 | $ 806,152 |
| Clubhouse (Note 10) | 204,500 | 207,684 | 194,844 |
| Driving Range | 50,000 | 50,961 | 54,224 |
| Advertising | 12,000 | 11,062 | 11,912 |
| Miscellaneous | - | 235 | 1,092 |
| Interest | - | 1,606 | 1,298 |
| | 1,077,700 | 1,104,976 | 1,069,522 |
| **EXPENSES** | | | |
| Advertising and promotion | 6,000 | 2,005 | 3,756 |
| Amortization | 65,000 | 63,436 | 68,002 |
| Bank charges | 19,000 | 22,382 | 18,903 |
| Building maintenance | 50,000 | 58,781 | 42,159 |
| Course maintenance | 70,000 | 73,259 | 70,017 |
| Driving range | 16,500 | 16,374 | 22,943 |
| Equipment maintenance | 36,264 | 25,494 | 32,653 |
| Fuel | 40,000 | 37,094 | 36,372 |
| Heat, light and telephone | 49,500 | 52,108 | 46,824 |
| Insurance | 23,000 | 24,727 | 23,200 |
| Interest on capital lease obligations | 8,098 | 8,109 | 9,628 |
| Loss on disposal of assets | - | 233 | - |
| Miscellaneous | 2,500 | 2,556 | 5,039 |
| Office | 4,550 | 5,991 | 4,429 |
| Professional fees | 15,000 | 11,989 | 10,818 |
| Salaries and employee benefits | 655,000 | 643,448 | 640,739 |
| Supplies | 9,500 | 8,541 | 8,033 |
| Travel | 1,000 | - | 903 |
| | 1,070,912 | 1,056,527 | 1,044,418 |
| **Annual surplus** | 6,788 | 48,449 | 25,104 |
| **Accumulated surplus, beginning of year** | 87,504 | 87,504 | 62,400 |
| **Accumulated surplus, end of year** | $ 94,292 | $ 135,953 | $ 87,504 |

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

# C.A. PIPPY PARK GOLF COURSE LIMITED
## STATEMENT OF CHANGE IN NET DEBT
### For the Year Ended March 31

| | 2014 Budget (Note 14) | 2014 Actual | 2013 Actual |
|---|---|---|---|
| Annual surplus | $ 6,788 | $ 48,449 | $ 25,104 |
| **Changes in tangible capital assets** | | | |
| Acquisition of tangible capital assets | - | (67,335) | (35,705) |
| Amortization of tangible capital assets | 65,000 | 63,436 | 68,002 |
| Loss on disposal of tangible capital assets | - | 233 | - |
| | 65,000 | (3,666) | 32,297 |
| **Changes in other non-financial assets** | | | |
| Use of prepaid expenses | - | 1,870 | 1,500 |
| Acquisition of prepaid expenses | - | (2,250) | (1,870) |
| Net acquisition of inventories held for use | - | (1,400) | - |
| | - | (1,780) | (370) |
| **Decrease in net debt** | 71,788 | 43,003 | 57,031 |
| **Net debt, beginning of year** | (104,888) | (104,888) | (161,919) |
| **Net debt, end of year** | $ (33,100) | $ (61,885) | $ (104,888) |

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

## C.A. PIPPY PARK GOLF COURSE LIMITED
### STATEMENT OF CASH FLOWS

| For the Year Ended March 31 | 2014 | 2013 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Annual surplus | $ 48,449 | $ 25,104 |
| Adjustment for non-cash items | | |
| Amortization | 63,436 | 68,002 |
| Loss on disposal of capital assets | 233 | - |
| | 112,118 | 93,106 |
| Changes in non-cash operating items | | |
| Accounts receivable | (2,603) | (6,962) |
| Inventories held for resale | 5,453 | 6,370 |
| Prepaid expenses | (380) | (370) |
| Accounts payable and accrued liabilities | (6,293) | 11,001 |
| Deferred revenue | 4,294 | 11,848 |
| Employee future benefits | 3,492 | 3,905 |
| Inventories held for use | (1,400) | - |
| **Cash provided from operating transactions** | 114,681 | 118,898 |
| **Capital transactions** | | |
| Acquisition of tangible capital assets | (67,335) | (35,705) |
| **Cash applied to capital transactions** | (67,335) | (35,705) |
| **Financing transactions** | | |
| Acquisition of capital leases | 44,703 | 10,200 |
| Repayment of obligations under capital leases | (50,206) | (43,829) |
| **Cash applied to financial transactions** | (5,503) | (33,629) |
| **Increase in cash** | 41,843 | 49,564 |
| **Cash, beginning of year** | 173,957 | 124,393 |
| **Cash, end of year** | $ 215,800 | $ 173,957 |

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

## 1. Nature of operations

The C.A. Pippy Park Golf Course Limited (the Corporation) was incorporated on January 6, 2006 under the *Corporations Act*. It is a wholly owned subsidiary of the C.A. Pippy Park Commission (the Commission), incorporated in accordance with Section 25(b)(i) of the *Pippy Park Commission Act*. The purpose of the Corporation is to manage the Pippy Park Golf Course on behalf of the Commission. The Pippy Park Golf Course is comprised of the 9 hole Captain's Hill Course, the 18 hole Admiral's Green Course, the Admiral's Green Clubhouse and the Driving Range. The Corporation has authorized share capital of 100 common shares of no par value and has issued one common share which is held by the C.A. Pippy Park Commission.

The Corporation is a wholly owned subsidiary of 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 are prepared by management in accordance with CPSAS for provincial reporting entities established by the Public Sector Accounting Board. 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 the statement.

### (b) Financial instruments

The Corporation's financial instruments recognized on the statement of financial position consist of cash, accounts receivable, accounts payable and accrued liabilities and obligations under capital leases. 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. Of the financial assets, cash is measured at cost while accounts receivable is measured at amortized cost. Financial liabilities measured at cost include accounts payable and accrued liabilities. Obligations under capital leases are recorded at amortized cost.

The carrying values of cash, accounts receivable, accounts payable and accrued liabilities, and obligations under capital leases approximate current fair value due to their nature and/or the short-term maturity associated with these instruments.

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

**2. Summary of significant accounting policies (cont.)**

**(c) Cash**

Cash includes cash in bank.

**(d) Tangible capital assets**

All tangible capital assets are recorded at cost at the time of acquisition, which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets.

Obligations under capital leases are recorded at the present value of the minimum lease payments excluding executor costs (e.g. insurance, maintenance costs, etc.). The discount rate used to determine the present value of the lease payments is the interest rate implicit in the lease.

The cost, less residual value, of the tangible capital assets, is amortized using the declining balance method over the expected useful lives as follows:

| | |
|---|---|
| Golf course improvements | 10% |
| Building improvements | 10% |
| Course maintenance equipment | 30% |
| Golf carts | 30% |
| Equipment | 30% |
| Office equipment | 30% |
| Proshop rental equipment | 30% |
| Golf carts under capital lease | 30% |
| Course maintenance equipment under capital lease | 30% |
| Office equipment under capital lease | 30% |

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Corporation's ability to provide 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.

**(e) Inventories held for resale**

Inventories held for resale including confectionary and golf supplies are recorded at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis.

**(f) Inventories held for use**

Inventories held for use include course supplies and are recorded at the lower of historical cost and replacement cost.

2. **Summary of significant accounting policies (cont.)**

(g) **Prepaid expenses**

Prepaid expenses are charged to the expense over the periods expected to benefit from it.

(h) **Employee future benefits**

(i) The employees of the Corporation, represented by the Newfoundland and Labrador Association of Public and Private Employees (NAPE), are entitled to severance pay. Severance pay for entitled employees is calculated based on years of service and current salary levels. Entitlement to severance pay vests with employees after nine years of continuous service and, accordingly, a liability has been recorded for these employees. All employees entitled to severance pay have had the severance pay entitlement vested. The amount is payable when the employee ceases employment with the Corporation unless the employee transfers to another entity in the public service in which case the liability is transferred with the employee to the other entity.

(ii) The employees of the Corporation, represented by the NAPE, are subject to the *Public Service Pensions Act, 1991*. Employee contributions are matched by the Corporation and then remitted to the Province of Newfoundland and Labrador Pooled Pension Fund from which pensions will be paid to employees when they retire.

Contributions of the Corporation to the plans are recorded as an expense for the year.

(iii) 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 for employees which is based upon the Corporation's best estimate of the probability of the employees utilizing the benefits and current salary levels. The accumulating non-vesting sick leave benefits cease upon termination of employment with the Corporation.

(i) **Revenues**

Revenues are recognized in the period in which the transactions or events occurred that give 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.

Revenue related to fees or services received in advance of the fee being earned or the service being performed is deferred and recognized as revenue in the fiscal year the fee is earned or the service is performed.

## 2. Summary of significant accounting policies (cont.)

### (j) 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.

### (k) Measurement uncertainty

The preparation of financial statements in conformity with CPSAS 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 expected future life of tangible capital assets and estimated employee future benefits.

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. Accounts receivable

| | 2014 | 2013 |
|---|---|---|
| Trade | $ 19,140 | $ 9,850 |
| Harmonized sales tax | 7,624 | 13,474 |
| Due from C.A. Pippy Park Commission | - | 837 |
| | 26,764 | 24,161 |
| Less: provision for doubtful accounts | (1,725) | (1,725) |
| | $ 25,039 | $ 22,436 |

## 4. Accounts payable and accrued liabilities

| | 2014 | 2013 |
|---|---|---|
| Due to C.A. Pippy Park Commission | $ 27,138 | $ 36,160 |
| Trade payables and accrued liabilities | 52,655 | 49,926 |
| | $ 79,793 | $ 86,086 |

## 5. Deferred revenue

| | 2014 | 2013 |
|---|---|---|
| Golf course | $ 68,906 | $ 63,108 |
| Clubhouse | 12,840 | 14,344 |
| | $ 81,746 | $ 77,452 |

Golf course deferred revenue relates to golf packages and gift certificates sold during the fiscal year that relate to the 2014 golf season. Clubhouse deferred revenue relates to deposits received on Salon rentals for future periods.

## 6. Obligations under capital leases

The Corporation has acquired equipment for golf course and clubhouse operations through capital leases.

| | 2014 | 2013 |
|---|---|---|
| Obligations under capital leases | $ 107,825 | $ 113,328 |

Future minimum lease payments under capital leases are:

| | |
|---|---|
| 2015 | $ 52,034 |
| 2016 | 44,828 |
| 2017 | 13,465 |
| 2018 | 10,751 |
| | 121,078 |
| Less: interest portion of payments | 13,253 |
| | $ 107,825 |

The capital leases are secured by equipment having a net book value of $116,121.

## 7. Employee future benefits

| | 2014 | 2013 |
|---|---|---|
| Vested severance benefits | $ 34,652 | $ 32,669 |
| Provision for accumulating, non-vested, sick leave | 16,486 | 14,977 |
| | $ 51,138 | $ 47,646 |

Pension contributions

The employees of the Corporation, represented by the NAPE, are subject to the *Public Service Pensions Act, 1991*. The Government of Newfoundland and Labrador administers the Public Service Pension Plan, including payment of pension benefits to employees to whom the *Act* applies. The Public Service Pension Plan is a multi-employer, defined benefit plan.

The plan provides a pension upon retirement based on the age of its member at retirement, length of service and the average of their best five years of earnings. The maximum contribution rate for eligible employees was 8.6% (2013 - 8.6%). The Corporation contributes an amount equal to the employee contributions to the plan. The Corporation is not required to make contributions in respect of any actuarial deficiencies of the plan. Total pension expense for the Corporation for the year ended March 31, 2014 was $5,752 (2013 - $5,517).

## 8. Tangible capital assets

**Original cost**

| | Balance March 31, 2013 | Additions | Disposals | Balance March 31, 2014 |
|---|---|---|---|---|
| Golf course improvements | $ 8,784 | $ - | $ - | $ 8,784 |
| Building improvements | 18,000 | - | - | 18,000 |
| Course maintenance equipment | 126,901 | 20,480 | - | 147,381 |
| Golf carts | 139,809 | - | - | 139,809 |
| Equipment | 16,325 | 1,400 | - | 17,725 |
| Office equipment | 13,244 | 752 | 939 | 13,057 |
| Proshop rental equipment | 20,444 | - | - | 20,444 |
| Golf carts under capital lease | 80,220 | 44,703 | - | 124,923 |
| Course maintenance equipment under capital lease | 120,625 | - | - | 120,625 |
| Office equipment under capital lease | 17,289 | - | - | 17,289 |
| | $ 561,641 | $ 67,335 | $ 939 | $ 628,037 |

## 8. Tangible capital assets (cont.)

**Accumulated amortization**

| | Balance March 31, 2013 | Amortization | Accumulated amortization on disposals | Balance March 31, 2014 | Net book value March 31, 2014 | Net book value March 31, 2013 |
|---|---|---|---|---|---|---|
| Golf course improvements | $ 3,807 | $ 498 | $ - | $ 4,305 | **$ 4,479** | $ 4,977 |
| Building improvements | 4,081 | 1,392 | - | 5,473 | **12,527** | 13,919 |
| Course maintenance equipment | 94,585 | 12,767 | - | 107,352 | **40,029** | 32,316 |
| Golf carts | 124,477 | 4,600 | - | 129,077 | **10,732** | 15,332 |
| Equipment | 13,064 | 1,188 | - | 14,252 | **3,473** | 3,261 |
| Office equipment | 10,591 | 867 | 706 | 10,752 | **2,305** | 2,653 |
| Propshop rental equipment | 13,984 | 1,938 | - | 15,922 | **4,522** | 6,460 |
| Golf carts under capital lease | 43,777 | 17,638 | - | 61,415 | **63,508** | 36,443 |
| Course maintenance equipment under capital lease | 50,505 | 21,036 | - | 71,541 | **49,084** | 70,120 |
| Office equipment under capital lease | 12,248 | 1,512 | - | 13,760 | **3,529** | 5,041 |
| | $ 371,119 | $ 63,436 | $ 706 | $ 433,849 | **$ 194,188** | $ 190,522 |

## 9. Golf course revenue

| | **2014 Budget** | **2014 Actual** | 2013 Actual |
|---|---|---|---|
| Green fees | **$ 635,000** | **$ 660,663** | $ 631,879 |
| Rentals | **164,000** | **162,515** | 162,295 |
| | **799,000** | **823,178** | 794,174 |
| Proshop sales | **20,000** | **23,389** | 19,166 |
| Less: cost of goods sold | **7,800** | **13,139** | 7,188 |
| | **12,200** | **10,250** | 11,978 |
| | **$ 811,200** | **$ 833,428** | $ 806,152 |

## 10. Clubhouse revenue

| | 2014 Budget | 2014 Actual | 2013 Actual |
|---|---|---|---|
| Salon rentals | $ 46,500 | $ 43,888 | $ 44,101 |
| Catering commissions | 55,000 | 51,938 | 47,972 |
| | 101,500 | 95,826 | 92,073 |
| Salon sales | 177,000 | 187,890 | 176,025 |
| Less: cost of goods sold | 74,000 | 76,032 | 73,254 |
| | 103,000 | 111,858 | 102,771 |
| | $ 204,500 | $ 207,684 | $ 194,844 |

## 11. Related party transactions

Administrative and other services for the Corporation are provided by the Commission at a cost of $72,880 (2013 - $71,356).

The land, buildings and certain other equipment used by the Corporation are owned by the Commission and, for 2014, use was provided at no cost.

## 12. Contractual obligations

Equipment has been leased by the Corporation for the purpose of maintaining the golf course. Minimum lease payments over the remaining terms of the lease are as follows:

| | |
|---|---|
| 2015 | $ 6,264 |
| 2016 | 6,264 |
| 2017 | 6,264 |
| | $ 18,792 |

## 13. 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.

**13. Financial risk management (cont.)**

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 and accounts 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. Also, it is not exposed to significant credit risk related to the harmonized sales tax receivable due to its nature. The Corporation is exposed to credit risk related to its trade accounts receivable. Any estimated impairment of accounts receivable has been provided for through an allowance.

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 and its obligations under capital leases as disclosed in Note 6 and its contractual obligations as disclosed in Note 12. The Corporation manages liquidity risk by monitoring its cash flows and ensuring that it has sufficient resources available to meet its financial liabilities.

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 or other price risk. In addition, the Corporation is not exposed to interest rate risk on the obligations under capital leases as the interest rates are fixed to maturity.

**14. Budgeted figures**

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

**15. Comparative figures**

Certain comparative figures as at March 31, 2013 have been reclassified to conform to the current year's presentation.

**16. 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.

Grant Thornton

# Consolidated Financial Statements

## Central Regional Health Authority

March 31, 2014

# Statement of responsibility

The accompanying consolidated financial statements are the responsibility of the Board of Trustees of the Central Regional Health Authority (the "Authority") and have been prepared in compliance with legislation, and in accordance with Canadian Public Sector Accounting Standards as recommended by the Canadian Institute of Chartered Accountants.

In carrying out its responsibilities, management maintains appropriate systems of internal and administrative controls designed to provide reasonable assurance that transactions are executed in accordance with proper authorization, that assets are properly accounted for and safeguarded, and that financial information produced is relevant and reliable.

The Authority met with management and its external auditors to review a draft of the consolidated financial statements and to discuss any significant financial reporting or internal control matters prior to their approval of the consolidated finalized financial statements.

Grant Thornton LLP as the Authority's appointed external auditors, have audited the consolidated financial statements. The auditor's report is addressed to the Authority and appears on the following page. Their opinion is based upon an examination conducted in accordance with Canadian generally accepted auditing standards, performing such tests and other procedures as they consider necessary to obtain reasonable assurance that the consolidated financial statements are free of material misstatement and present fairly the financial position and results of the Authority in accordance with Canadian public sector accounting standards.

John George, Chair

Wm. O'Kielly, Director

Grant Thornton

# Independent Auditors' Report

**Grant Thornton LLP**
Suite 300
15 International Place
St. John's, NL
A1A 0L4

T +1 709 778 8800
F +1 709 722 7892
www.GrantThornton.ca

To the Board of Trustees of

Central Regional Health Authority

We have audited the accompanying consolidated financial statements of Central Regional Health Authority which comprise the consolidated statement of financial position as at March 31, 2014, and the consolidated statements of operations, changes in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

**Management's responsibility for the 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 evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's 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, the auditor considers internal control relevant to the organization'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 organization'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.

# Independent Auditors' Report (continued)

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 Central Regional Health Authority as at March 31, 2014 and the results of its consolidated operations and changes in net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

**Other matters**

The comparative figures for the year ended March 31, 2013 were audited by another firm of chartered accountants who provided an audit report without reservation on those consolidated financial statements in their report dated June 18, 2013.

Grant Thornton LLP

Gander, Canada

July 9, 2014

Chartered Accountants

# Central Regional Health Authority
## Consolidated Statement of Financial Position

| March 31 | 2014 | 2013 |
|---|---|---|
| **Financial assets** | | |
| Cash (Note 3) | **$ 16,702,644** | $ 5,751,378 |
| Receivables (Note 4) | **18,413,931** | 29,638,965 |
| Residents' trust funds held on deposit | **901,834** | 938,808 |
| Cash restricted for security deposits | **35,561** | 35,355 |
| Investments restricted for general endowment purposes (Note 5) | **803,809** | 693,882 |
| Replacement reserve funding (Note 11) | **159,399** | 154,029 |
| | **37,017,178** | 37,212,417 |
| **Liabilities** | | |
| Payables and accruals (Note 6) | **27,092,115** | 26,932,915 |
| Employee future benefits | | |
| Accrued vacation | **14,113,590** | 13,354,679 |
| Accrued sick (Note 7) | **16,207,839** | 15,933,637 |
| Accrued severance (Note 7) | **28,462,499** | 26,777,716 |
| Deferred grants (Note 8) | **27,531,722** | 29,212,218 |
| Long-term debt (Note 9) | **13,349,219** | 14,777,214 |
| Obligations under capital lease (Note 10) | **117,902** | 343,537 |
| Trust funds payable | **901,834** | 938,808 |
| Security deposits liability | **35,562** | 35,355 |
| Replacement reserves (Note 11) | **159,399** | 154,029 |
| J.M Olds scholarship and library funds | **82,852** | 82,602 |
| | **128,054,533** | 128,542,710 |
| **Net financial assets (debt)** | **(91,037,355)** | (91,330,293) |
| **Non-financial assets** | | |
| Capital assets (Note 12) | **56,085,406** | 57,961,039 |
| Deposit on capital assets | **104,392** | 94,015 |
| Inventories (Note 13) | **2,239,989** | 2,246,855 |
| Prepaids (Note 14) | **6,936,739** | 7,751,052 |
| | **65,366,526** | 68,052,961 |
| **Accumulated surplus (deficit)** | **$ (25,670,829)** | $ (23,277,332) |

Commitments (Note 16)
Contingencies (Note 17)

On behalf of the Board

Wm. O'Kelly Trustee

Trustee

See accompanying notes to the consolidated financial statements

# Central Regional Health Authority
# Consolidated Statement of Operations

| Year ended March 31 | Budget 2014 | Actual 2014 | (Note 18) Actual 2013 |
|---|---|---|---|
| **Revenue** | | | |
| Provincial plan operating | $ 294,038,338 | $ 294,071,434 | $ 293,676,494 |
| Provincial capital grants | - | 4,277,945 | 5,505,736 |
| Other capital contributions | - | 267,298 | 260,878 |
| MCP | 14,323,478 | 14,347,583 | 16,364,436 |
| Patient-resident services | 13,489,500 | 13,481,238 | 13,780,373 |
| CMHC mortgage interest subsidy (Note 15) | 56,982 | 56,805 | 56,805 |
| Capital project funding | 11,338,061 | 11,973,697 | 5,596,699 |
| Recoveries | 9,178,000 | 11,144,004 | 9,975,774 |
| Cottage operations | 1,494,745 | 1,491,423 | 1,350,642 |
| Foundations | 863,000 | 1,063,190 | 1,101,196 |
| Other revenue | 1,598,892 | 2,637,965 | 2,988,115 |
| | 346,380,996 | 354,812,582 | 350,657,148 |
| **Expenditure** | | | |
| Administration | 33,269,285 | 30,802,810 | 31,294,977 |
| Community and social services | 85,786,265 | 83,728,973 | 79,362,819 |
| Support services | 69,494,445 | 72,267,344 | 64,754,188 |
| Nursing inpatient services | 75,293,742 | 79,061,151 | 76,970,766 |
| Ambulatory care services | 19,348,429 | 19,628,112 | 19,131,011 |
| Diagnostic and therapeutic services | 41,541,519 | 41,502,728 | 41,168,715 |
| Medical services | 18,215,069 | 18,309,613 | 20,840,404 |
| Educational services | 1,074,497 | 1,052,850 | 995,970 |
| Cottage, operations, including amortization of $492,929 (2013 - $476,277) | 1,505,485 | 1,505,155 | 1,526,989 |
| Foundations, including amortization of $4,539 (2013 - $4,778) | 801,100 | 705,951 | 992,675 |
| | 346,329,836 | 348,564,687 | 337,038,514 |
| **Surplus (deficit) – shareable** | 51,160 | 6,247,895 | 13,618,634 |
| **Non-shareable items** | | | |
| Gain on disposal of capital assets | - | - | 6,812 |
| Amortization of capital assets | - | (5,923,407) | (6,115,680) |
| Accrued vacation pay – (increase) decrease | - | (759,000) | 26,368 |
| Accrued severance pay – (increase) decrease | - | (1,684,783) | (1,743,487) |
| Accrued sick pay – (increase) decrease | - | (274,202) | (171,218) |
| | - | (8,641,392) | (7,997,205) |
| **Surplus (deficit) - shareable and non-shareable** | 51,160 | (2,393,497) | 5,621,429 |
| **Accumulated surplus (deficit)** | | | |
| Beginning of year | - | (23,277,332) | (28,898,761) |
| End of year | $ 51,160 | $ (25,670,829) | $ (23,277,332) |

See accompanying notes to the consolidated financial statements

# Central Regional Health Authority

## Consolidated Statement of Changes in Net Financial Assets (Debt)

| March 31 | 2014 | 2013 |
|---|---|---|
| **Net debt - beginning of year** | **$ (91,330,293)** | $ (96,658,684) |
| **(Deficit) surplus** | **(2,393,497)** | 5,621,429 |
| **Changes in capital assets** | | |
| Acquisition of capital assets | **(4,545,242)** | (5,766,614) |
| Amortization of capital assets | **6,420,875** | 6,596,735 |
| Gain on disposal of capital assets | **-** | (6,812) |
| Proceeds on disposal of capital assets | **-** | 18,240 |
| Deposits on capital assets | **(10,377)** | (94,015) |
| **Increase in net book value of capital assets** | **1,865,257** | 747,534 |
| **Changes in non-financial assets** | | |
| Reduction in inventories | **6,866** | 477,786 |
| Reduction (increase) in prepaids | **814,313** | (1,518,358) |
| **Increase (decrease) in non-financial assets** | **821,179** | (1,040,572) |
| **Increase in net assets** | **292,938** | 5,328,391 |
| **Net debt, end of year** | **$ (91,037,355)** | $ (91,330,293) |

See accompanying notes to the consolidated financial statements

# Central Regional Health Authority

## Consolidated Statement of Cash Flows

| Year ended March 31 | 2014 | 2013 |
|---|---|---|
| **Operating** | | |
| (Deficit) Surplus | $ (2,393,497) | $ 5,621,429 |
| Amortization | 6,420,878 | 6,596,735 |
| Gain on disposal of capital assets | - | (6,812) |
| Investment gains/losses | (51,008) | (6,595) |
| | 3,976,373 | 12,204,757 |
| Changes in | | |
| Receivables | 11,225,034 | (14,546,132) |
| Payables and accruals | 159,200 | 2,644,681 |
| Accrued vacation pay | 758,910 | (25,899) |
| Accrued severance pay | 1,684,783 | 1,743,487 |
| Accrued sick pay | 274,202 | 171,218 |
| Deferred grants | (1,680,496) | 4,409,608 |
| Inventories | 6,866 | 477,786 |
| Prepaids | 814,313 | (1,518,358) |
| **Net cash provided from operations** | 17,219,185 | 5,561,148 |
| **Financing** | | |
| Repayment of long-term debt | (1,427,995) | (1,491,457) |
| Repayment of capital leases | (225,635) | (214,963) |
| Net changes in J.M. Olds funds | 250 | (575) |
| **Net cash applied to financing** | (1,653,380) | (1,706,995) |
| **Investing** | | |
| Additions to capital assets | (4,545,242) | (5,766,614) |
| Deposit on capital assets | (10,377) | (94,015) |
| Increase in general endowment fund investments | (58,920) | (57,421) |
| Proceeds on disposal of capital assets | - | 18,240 |
| **Net cash applied to investing** | (4,614,539) | (5,899,810) |
| **Net increase (decrease) in cash** | 10,951,266 | (2,045,657) |
| **Cash, net of bank indebtedness:** | | |
| Beginning | 5,751,378 | 7,797,035 |
| Ending (Note 3) | $ 16,702,644 | $ 5,751,378 |

See accompanying notes to the consolidated financial statements

# Central Regional Health Authority

## Operating Statement of Financial Position

| March 31 | 2014 | 2013 |
|---|---|---|
| **Financial assets** | | |
| Cash (Note 3) | **$ 15,411,450** | $ 4,738,898 |
| Receivables (Note 4) | **18,397,155** | 29,618,784 |
| Residents' trust funds held on deposit | **901,834** | 938,808 |
| Due from cottage operations and foundations - net | **515,570** | 494,864 |
| | **35,226,009** | 35,791,354 |
| **Liabilities** | | |
| Payables and accruals (Note 6) | **27,050,768** | 26,901,936 |
| Employee future benefits | | |
| Accrued vacation pay | **14,108,164** | 13,349,164 |
| Accrued sick pay (Note 7) | **16,207,839** | 15,933,637 |
| Accrued severance pay (Note 7) | **28,462,499** | 26,777,716 |
| Deferred grants (Note 8) | **27,531,722** | 29,212,218 |
| Long-term debt (Note 9) | **11,031,779** | 11,992,870 |
| Obligations under capital lease (Note 10) | **117,902** | 343,537 |
| Trust funds payable | **901,834** | 938,808 |
| J.M Olds scholarship and library funds | **82,852** | 82,602 |
| | **125,495,359** | 125,532,488 |
| **Net financial assets (debt)** | **(90,269,350)** | (89,741,134) |
| **Non-financial assets** | | |
| Capital assets (Note 12) | **53,110,007** | 54,488,173 |
| Deposit on capital assets | **104,392** | 94,015 |
| Inventories (Note 13) | **2,239,989** | 2,246,855 |
| Prepaids (Note 14) | **6,830,837** | 7,664,973 |
| | **62,285,225** | 64,494,016 |
| **Accumulated (deficit)** | **$ (27,984,125)** | $ (25,247,118) |

See accompanying notes to the consolidated financial statements

# Central Regional Health Authority
## Operating Statement of Operations

| Year ended March 31 | Budget 2014 | Actual 2014 | (Note 18) Actual 2013 |
|---|---|---|---|
| **Revenue** | | | |
| Provincial plan | $ 293,346,669 | $ 293,346,669 | $ 293,208,571 |
| Provincial capital grants | - | 4,277,945 | 5,505,736 |
| Other capital contributions | - | 267,298 | 260,878 |
| MCP | 14,323,478 | 14,347,583 | 16,364,436 |
| Inpatient | 1,903,000 | 2,154,728 | 2,390,344 |
| Outpatient | 3,060,500 | 2,841,316 | 2,745,789 |
| Resident | 8,526,000 | 8,485,194 | 8,644,240 |
| CMHC mortgage interest subsidy (Note 15) | 56,982 | 56,805 | 56,805 |
| Capital project funding | 11,338,061 | 11,973,697 | 5,596,699 |
| National Child Benefit | 345,677 | 356,773 | 142,427 |
| Early Childhood Development | 345,992 | 367,992 | 325,498 |
| Recoveries - salaries | 307,000 | 2,149,910 | 2,125,935 |
| - services | 1,088,000 | 854,344 | 1,031,887 |
| - ambulance | 642,000 | 826,135 | 680,853 |
| - drugs | 7,141,000 | 7,313,614 | 6,137,099 |
| Other revenue | 1,598,892 | 2,637,965 | 2,988,115 |
| | 344,023,251 | 352,257,968 | 348,205,312 |
| **Expenditure** | | | |
| Administration | 33,269,285 | 30,802,810 | 31,294,977 |
| Community and social services | 85,786,265 | 83,728,973 | 79,362,819 |
| Support services | 69,494,445 | 72,267,344 | 64,754,188 |
| Nursing inpatient services | 75,293,742 | 79,061,151 | 76,970,766 |
| Ambulatory care services | 19,348,429 | 19,628,112 | 19,131,011 |
| Diagnostic and therapeutic services | 41,541,519 | 41,502,728 | 41,168,715 |
| Medical services | 18,215,069 | 18,309,613 | 20,840,404 |
| Education services | 1,074,497 | 1,052,850 | 995,970 |
| | 344,023,251 | 346,353,581 | 334,518,850 |
| **Surplus – shareable** | - | 5,904,387 | 13,686,462 |
| **Non-shareable items** | | | |
| Gain on disposal of capital assets | - | - | 6,812 |
| Amortization | - | (5,923,409) | (6,115,680) |
| Accrued vacation pay – (increase) decrease | - | (759,000) | 26,368 |
| Accrued severance pay – (increase) decrease | - | (1,684,783) | (1,743,487) |
| Accrued sick pay – (increase) decrease | | (274,202) | (171,218) |
| | - | (8,641,394) | (7,997,205) |
| **(Deficit) surplus – shareable and non-shareable** | - | (2,737,007) | 5,689,257 |
| **Accumulated (deficit)** | | | |
| Beginning of year | - | (25,247,118) | (30,936,375) |
| End of year | $ - | $ (27,984,125) | $ (25,247,118) |

See accompanying notes to the consolidated financial statements

# Central Regional Health Authority
## Operating Statement of Changes in Net Financial Assets (Debt)

| Year ended March 31 | 2014 | 2013 |
|---|---|---|
| **Net debt - beginning of year** | $ (89,741,134) | $ (94,669,555) |
| **(Deficit) surplus** | (2,737,007) | 5,689,257 |
| **Changes in capital assets** | | |
| Acquisition of capital assets | (4,545,242) | (5,766,614) |
| Amortization of capital assets | 5,923,409 | 6,115,680 |
| Gain on disposal of capital assets | - | (6,812) |
| Proceeds on disposal of capital assets | - | 18,240 |
| Deposits on capital assets | (10,377) | (94,015) |
| **Decrease in net book value of capital assets** | 1,367,790 | 266,479 |
| **Changes in other non-financial assets** | | |
| Reduction (increase) in prepaids | 834,135 | (1,505,101) |
| Reduction in inventories | 6,866 | 477,786 |
| **Increase (decrease) in other non-financial assets** | 841,001 | (1,027,315) |
| **(Increase) decrease in net assets** | (528,216) | 4,928,421 |
| **Net debt - end of year** | $ (90,269,350) | $ (89,741,134) |

See accompanying notes to the consolidated financial statements

# Central Regional Health Authority
## Operating Statement of Cash Flows

| Year ended March 31 | 2014 | 2013 |
|---|---|---|
| **Operating** | | |
| (Deficit) surplus | $ (2,737,007) | $ 5,689,257 |
| Amortization | 5,923,409 | 6,115,680 |
| Gain on disposal on capital assets | - | (6,812) |
| | 3,186,402 | 11,798,125 |
| Changes in | | |
| Receivables | 11,221,629 | (14,551,997) |
| Due from cottage operations and Foundations | (20,706) | 92,115 |
| Inventories | 6,866 | 477,786 |
| Prepaids | 834,135 | (1,505,101) |
| Payables and accruals | 148,831 | 2,635,395 |
| Accrued vacation pay | 759,000 | (26,368) |
| Accrued severance pay | 1,684,783 | 1,743,487 |
| Accrued sick pay | 274,202 | 171,218 |
| Deferred grants | (1,680,496) | 4,409,608 |
| **Net cash provided from operations** | 16,414,646 | 5,244,268 |
| **Financing** | | |
| Repayment of long-term debt | (961,090) | (946,817) |
| Repayment of capital leases | (225,635) | (214,963) |
| Net changes in J.M. Olds funds | 250 | (575) |
| **Net cash applied to financing** | (1,186,475) | (1,162,355) |
| **Investing** | | |
| Additions to capital assets | (4,545,242) | (5,766,614) |
| Deposits on capital assets | (10,377) | (94,015) |
| Proceeds on disposal of capital assets | - | 18,240 |
| **Net cash applied to investing** | (4,555,619) | (5,842,389) |
| **Net increase (decrease) in cash and cash equivalents** | 10,672,552 | (1,760,476) |
| **Cash, net of bank indebtedness** | | |
| Beginning | 4,738,898 | 6,499,374 |
| Ending (Note 3) | $ 15,411,450 | $ 4,738,898 |

See accompanying notes to the consolidated financial statements

# Central Regional Health Authority
## North Haven Manor Cottages Phase I, II, III
## Statement of Financial Position

| March 31 | 2014 | 2013 |
|---|---|---|
| **Financial assets** | | |
| Cash (Note 3) | **$ 90,956** | $ 101,154 |
| Receivables (Note 4) | **6,270** | 6,317 |
| Cash restricted for security deposits | **15,382** | 15,105 |
| Replacement reserve cash | **8,678** | 2,171 |
| | **121,286** | 124,747 |
| **Liabilities** | | |
| Payables and accruals (Note 6) | **26,448** | 9,143 |
| Due to Central Regional Health Authority | **150,525** | 175,719 |
| Long-term debt (Note 9) | **729,808** | 914,514 |
| Security deposit liability | **15,382** | 15,105 |
| Replacement reserves (Note 11) | **8,678** | 2,171 |
| | **930,841** | 1,116,652 |
| **Net financial debt** | **(809,555)** | (991,905) |
| **Non-financial assets** | | |
| Capital assets (Note 12) | **1,220,167** | 1,430,900 |
| Prepaids (Note 14) | **65,269** | 46,530 |
| | **1,285,436** | 1,477,430 |
| **Accumulated surplus** | **$ 475,881** | $ 485,525 |

See accompanying notes to the consolidated financial statements

# Central Regional Health Authority
## North Haven Manor Cottages Phase I, II, III
## Statement of Operations

| Year ended March 31 | Budget 2014 | Actual 2014 | Actual 2013 |
|---|---|---|---|
| **Revenue** | | | |
| Rentals | $ 526,298 | $ 522,084 | $ 513,476 |
| NLHC subsidy (Note 15) | 189,385 | 189,876 | 13,872 |
| | 715,683 | 711,960 | 527,348 |
| **Expenditure** | | | |
| Administration | 9,300 | 9,300 | 9,300 |
| Allocation to replacement reserve | 30,220 | 30,220 | 30,220 |
| Amortization | 210,756 | 210,732 | 206,929 |
| Heat and light | 166,000 | 165,493 | 148,410 |
| Insurance | 8,000 | 6,875 | 6,680 |
| Mortgage interest | 21,807 | 21,356 | 26,606 |
| Municipal taxes | 65,000 | 61,225 | 54,615 |
| Office | 200 | 84 | 20 |
| Professional fees | 2,000 | 1,800 | 1,800 |
| Repairs and maintenance | 67,000 | 81,926 | 104,897 |
| Salaries and benefits | 125,000 | 122,734 | 126,082 |
| Snowclearing | 8,000 | 7,500 | - |
| Telephone | 2,400 | 2,359 | 2,359 |
| | 715,683 | 721,604 | 717,918 |
| **Annual deficit** | - | (9,644) | (190,570) |
| **Accumulated surplus** | | | |
| Beginning of year | 485,525 | 485,525 | 676,095 |
| End of year | $ 485,525 | $ 475,881 | $ 485,525 |

See accompanying notes to the consolidated financial statements

# Central Regional Health Authority
## North Haven Manor Cottages Phase I, II, III
## Statement of Changes in Net Financial Assets (Debt)

| Year ended March 31 | 2014 | 2013 |
|---|---|---|
| **Net debt - beginning of year** | $ (991,905) | $ (1,001,186) |
| **Annual deficit** | (9,644) | (190,570) |
| **Changes in capital assets** | | |
| Amortization of capital assets | 210,732 | 206,929 |
| **Decrease in net book value of capital assets** | 210,732 | 206,929 |
| **Changes in non-financial assets** | | |
| Increase in prepaids | (18,738) | (7,078) |
| **Increase in other non-financial assets** | (18,738) | (7,078) |
| **Increase in net debt** | 182,350 | 9,281 |
| **Net debt - end of year** | $ (809,555) | $ (991,905) |

See accompanying notes to the consolidated financial statements

# Central Regional Health Authority

## North Haven Manor Cottages Phase I, II, III

## Statement of Cash Flows

| Year ended March 31 | 2014 | 2013 |
|---|---|---|
| **Operations** | | |
| Annual deficit | **$ (9,644)** | $ (190,570) |
| Amortization | **210,732** | 206,929 |
| | **201,088** | 16,359 |
| Changes in | | |
| Receivables | **47** | 4,489 |
| Payables and accruals | **17,304** | 2,315 |
| Due to Central Regional Health Authority | **(25,194)** | 65,786 |
| Prepaids | **(18,738)** | (7,078) |
| **Net cash provided from operations** | **174,507** | 81,871 |
| **Financing** | | |
| Repayment of long-term debt | **(184,705)** | (179,467) |
| **Net cash applied to financing** | **(184,705)** | (179,467) |
| **Net decrease in cash and cash equivalents** | **(10,198)** | (97,596) |
| **Cash** | | |
| Beginning | **101,154** | 198,750 |
| Ending (Note 3) | **$ 90,956** | $ 101,154 |

See accompanying notes to the consolidated financial statements

# Central Regional Health Authority
## North Haven Manor Cottages Phase IV
## Statement of Financial Position

| March 31 | 2014 | 2013 |
|---|---|---|
| **Financial assets** | | |
| Cash (Note 3) | **$ 15,174** | $ 16,843 |
| Receivables (Note 4) | **2,764** | 3,975 |
| Cash restricted for security deposits | **1,363** | 1,363 |
| Due from NLHC for replacement reserve | **82,643** | 82,643 |
| | **101,944** | 104,824 |
| **Liabilities** | | |
| Payables and accruals (Note 6) | **2,145** | 2,186 |
| Due to Central Regional Health Authority | **20,902** | 23,741 |
| Long-term debt (Note 9) | **375,080** | 404,908 |
| Security deposit liability | **1,363** | 1,363 |
| Replacement reserve (Note 11) | **82,643** | 82,643 |
| | **482,133** | 514,841 |
| **Net financial debt** | **(380,189)** | (410,017) |
| **Non-financial assets** | | |
| Capital assets (Note 12) | **390,080** | 419,908 |
| Prepaids (Note 14) | **5,109** | 5,109 |
| | **395,189** | 425,017 |
| **Accumulated surplus** | **$ 15,000** | $ 15,000 |

See accompanying notes to the consolidated financial statements

# Central Regional Health Authority
## North Haven Manor Cottages Phase IV
## Statement of Operations
Year ended March 31

| | Budget 2014 | Actual 2014 | Actual 2013 |
|---|---|---|---|
| **Revenue** | | | |
| Rentals | $ 46,116 | $ 45,163 | $ 44,840 |
| NLHC subsidy (Note 15) | 46,105 | 50,306 | 85,965 |
| | 92,221 | 95,469 | 130,805 |
| **Expenditure** | | | |
| Administration | 4,056 | 3,600 | 3,600 |
| Amortization | 29,828 | 29,828 | 29,352 |
| Heat and light | 17,099 | 20,571 | 18,213 |
| Insurance | 1,100 | 878 | 711 |
| Mortgage interest | 6,515 | 6,473 | 6,951 |
| Municipal taxes | 7,323 | 6,781 | 6,056 |
| Office | 300 | 8 | 144 |
| Professional fees | 1,600 | 1,500 | 1,500 |
| Repairs and maintenance | 8,100 | 13,780 | 53,579 |
| Salaries and benefits | 12,000 | 10,569 | 10,418 |
| Snowclearing | 4,000 | 1,200 | - |
| Telephone | 300 | 281 | 281 |
| | 92,221 | 95,469 | 130,805 |
| **Annual surplus** | - | - | - |
| **Accumulated surplus** | | | |
| Beginning of year | 15,000 | 15,000 | 15,000 |
| End of year | $ 15,000 | $ 15,000 | $ 15,000 |

See accompanying notes to the consolidated financial statements

# Central Regional Health Authority
## North Haven Manor Cottages Phase IV
## Statement of Changes in Net Financial Assets (Debt)

| Year ended March 31 | 2014 | 2013 |
|---|---|---|
| **Net debt, beginning of year** | $ (410,017) | $ (438,645) |
| **Annual surplus** | - | - |
| **Changes in capital assets** | | |
| Amortization of capital assets | 29,828 | 29,352 |
| **Decrease in net book value of capital assets** | 29,828 | 29,352 |
| **Changes in non-financial assets** | | |
| Increase in prepaids | - | (724) |
| **Increase in non-financial assets** | - | (724) |
| **Decrease in debt** | 29,828 | 28,628 |
| **Net debt, end of year** | $ (380,189) | $ (410,017) |

See accompanying notes to the consolidated financial statements

# Central Regional Health Authority
## North Haven Manor Cottages Phase IV
## Statement of Cash Flows

| Year ended March 31 | 2013 | 2012 |
|---|---|---|
| **Operations** | | |
| Annual surplus | $ - | $ - |
| Amortization | 29,828 | 29,352 |
| | 29,828 | 29,352 |
| Changes in | | |
| Receivables | 1,211 | 2,920 |
| Prepaids | - | (724) |
| Payables and accruals | (41) | (4,797) |
| Due to Central Regional Health Authority | (2,839) | 8,234 |
| **Net cash provided from operations** | 28,159 | 34,985 |
| **Financing** | | |
| Repayment of long-term debt | (29,828) | (29,352) |
| **Net cash applied to financing** | (29,828) | (29,352) |
| **Net (decrease) increase in cash and cash equivalents** | (1,669) | 5,633 |
| **Cash** | | |
| Beginning | 16,843 | 11,210 |
| Ending (Note 3) | $ 15,174 | $ 16,843 |

See accompanying notes to the consolidated financial statements

# Central Regional Health Authority
## Valley Vista Cottages
## Statement of Financial Position

| March 31 | 2014 | 2013 |
|---|---|---|
| **Financial assets** | | |
| Cash (Note 3) | **$ 31,977** | $ 57,704 |
| Receivables (Note 4) | **4,257** | 4,889 |
| Cash restricted for security deposits | **18,816** | 18,888 |
| Replacement reserve cash | **5,678** | 6,815 |
| | **60,728** | 88,296 |
| **Liabilities** | | |
| Payables and accruals (Note 6) | **2,625** | 3,318 |
| Due to Central Regional Health Authority | **193,574** | 214,094 |
| Long-term debt (Note 9) | **785,460** | 1,002,514 |
| Security deposit liability | **18,816** | 18,888 |
| Replacement reserves (Note 11) | **5,678** | 6,815 |
| | **1,006,153** | 1,245,629 |
| **Net financial debt** | **(945,425)** | (1,157,333) |
| **Non-financial assets** | | |
| Capital assets (Note 12) | **818,685** | 1,035,739 |
| Prepaids (Note 14) | **34,234** | 33,176 |
| | **852,919** | 1,068,915 |
| **Accumulated deficit** | **$ (92,506)** | $ (88,418) |

See accompanying notes to the consolidated financial statements

# Central Regional Health Authority
## Valley Vista Cottages
## Statement of Operations

| Year ended March 31 | Budget 2014 | Actual 2014 | Actual 2013 |
|---|---|---|---|
| **Revenue** | | | |
| Rentals | $ 499,760 | $ 500,693 | $ 501,715 |
| NLHC subsidy (Note 15) | 53,200 | 51,437 | 58,629 |
| | 552,960 | 552,130 | 560,344 |
| **Expenditure** | | | |
| Allocation to replacement reserve | 30,000 | 30,000 | 30,000 |
| Amortization | 205,000 | 217,054 | 205,431 |
| Cable television | 17,500 | 16,149 | 16,099 |
| Heat and light | 123,000 | 133,468 | 122,706 |
| Insurance | 7,200 | 7,300 | 7,188 |
| Lawn care | 5,000 | 4,320 | - |
| Mortgage interest | 30,000 | 15,710 | 33,904 |
| Municipal taxes | 44,000 | 44,380 | 38,661 |
| Office | 1,200 | 908 | 1,187 |
| Professional fees | 1,800 | 1,800 | 1,800 |
| Repairs and maintenance | 30,000 | 21,703 | 24,040 |
| Salaries and benefits | 61,500 | 57,722 | 57,449 |
| Snowclearing | 7,500 | 5,704 | 7,500 |
| Travel | - | - | 156 |
| | 563,700 | 556,218 | 546,121 |
| **Annual (deficit) surplus** | (10,740) | (4,088) | 14,223 |
| **Accumulated deficit** | | | |
| Beginning of year | (88,418) | (88,418) | (102,641) |
| End of year | $ (99,158) | $ (92,506) | $ (88,418) |

See accompanying notes to the consolidated financial statements

# Central Regional Health Authority
## Valley Vista Cottages
## Statement of Changes in Net Financial Assets (Debt)

| Year ended March 31 | 2014 | 2013 |
|---|---|---|
| **Net debt - beginning of year** | $ (1,157,333) | $ (1,371,614) |
| **Annual (deficit) surplus** | (4,088) | 14,223 |
| **Changes in capital assets** | | |
| Amortization of capital assets | 217,054 | 205,431 |
| **Increase in net book value of capital assets** | 217,054 | 205,431 |
| **Changes in non-financial assets** | | |
| Increase in prepaids | (1,058) | (5,373) |
| **Decrease in non-financial assets** | (1,058) | (5,373) |
| **Increase in debt** | 211,908 | 214,281 |
| **Net debt - end of year** | $ (945,425) | $ (1,157,333) |

See accompanying notes to the consolidated financial statements

# Central Regional Health Authority
## Valley Vista Cottages
## Statement of Cash Flows

| Year ended March 31 | 2014 | 2013 |
|---|---|---|
| **Operations** | | |
| Annual (deficit) surplus | $ (4,088) | $ 14,223 |
| Amortization | 217,054 | 205,431 |
| | 212,966 | 219,654 |
| Changes in | | |
| Receivables | 632 | 503 |
| Payables and accruals | (693) | (1,816) |
| Due to Central Regional Health Authority | (20,520) | 8,749 |
| Prepaids | (1,058) | (5,373) |
| **Net cash provided from operations** | 191,327 | 221,717 |
| **Financing** | | |
| Repayment of long-term debt | (217,054) | (205,432) |
| **Net cash applied to financing** | (217,054) | (205,432) |
| **Net (decrease) increase in cash and cash equivalents** | (25,727) | 16,285 |
| **Cash** | | |
| Beginning | 57,704 | 41,419 |
| Ending (Note 3) | $ 31,977 | $ 57,704 |

See accompanying notes to the consolidated financial statements

# Central Regional Health Authority
## Bonnews Lodge Apartment Complex
## Statement of Financial Position

| March 31 | | 2014 | | 2013 |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Due from Central Regional Health Authority | $ | **10,129** | $ | 11,332 |
| Due from NLHC for replacement reserve | | **62,400** | | 62,400 |
| | | **72,529** | | 73,732 |
| **Liabilities** | | | | |
| Payables and accruals (Note 6) | | **10,129** | | 11,331 |
| Long-term debt (Note 9) | | **427,092** | | 462,408 |
| Replacement reserve (Note 11) | | **62,400** | | 62,400 |
| | | **499,621** | | 536,139 |
| **Net financial debt** | | **(427,092)** | | (462,407) |
| **Non-financial assets** | | | | |
| Capital assets (Note 12) | | **427,092** | | 462,407 |
| **Accumulated surplus (deficit)** | $ | **-** | $ | - |

See accompanying notes to the consolidated financial statements

# Central Regional Health Authority
## Bonnews Lodge Apartment Complex
## Statement of Operations
Year ended March 31

| | | Budget 2014 | Actual 2014 | Actual 2013 |
|---|---|---|---|---|
| **Revenue** | | | | |
| Rentals | | $ 63,396 | $ 64,505 | $ 62,586 |
| NLHC subsidy (Note 15) | | 64,197 | 59,825 | 63,364 |
| Surcharges | - utilities | 3,120 | 3,120 | 3,060 |
| | - laundry | 1,440 | 1,440 | 1,410 |
| | - other | 1,728 | 2,974 | 1,725 |
| | | 133,881 | 131,864 | 132,145 |
| **Expenditure** | | | | |
| Administration allowance | | 8,933 | 8,525 | 8,525 |
| Amortization | | 35,285 | 35,315 | 34,565 |
| Fire and safety | | 1,000 | 1,114 | 1,064 |
| Heat and light | | 21,850 | 22,819 | 21,557 |
| Insurance | | 700 | 700 | 699 |
| Mortgage interest | | 9,513 | 9,413 | 10,173 |
| Municipal taxes | | 8,616 | 8,616 | 7,423 |
| Professional fees | | 2,400 | 2,400 | 2,400 |
| Repairs and maintenance | | 40,084 | 32,312 | 35,089 |
| Snowclearing | | 5,500 | 10,650 | 10,650 |
| | | 133,881 | 131,864 | 132,145 |
| **Annual surplus** | | - | - | - |
| **Accumulated surplus** | | | | |
| Beginning of year | | - | - | - |
| End of year | | $ - | $ - | $ - |

See accompanying notes to the consolidated financial statements

# Central Regional Health Authority
## Bonnews Lodge Apartment Complex
## Statement of Changes in Net Financial Assets (Debt)

| Year ended March 31 | 2014 | 2013 |
|---|---|---|
| **Net debt - beginning of year** | $ (462,407) | $ (496,972) |
| **Annual surplus** | - | - |
| **Changes in capital assets** | | |
| Amortization of capital assets | 35,315 | 34,565 |
| **Decrease in net book value of capital assets** | 35,315 | 34,565 |
| **Decrease in debt** | 35,315 | 34,565 |
| **Net debt - end of year** | $ (427,092) | $ (462,407) |

See accompanying notes to the consolidated financial statements

# Central Regional Health Authority
## Bonnews Lodge Apartment Complex
## Statement of Cash Flows

| Year ended March 31 | 2014 | 2013 |
|---|---|---|
| **Operations** | | |
| Annual surplus (deficit) | $ - | $ - |
| Amortization | 35,315 | 34,565 |
| | 35,315 | 34,565 |
| Changes in | | |
| Receivables | - | 2,953 |
| Payables and accruals | (1,203) | 8,583 |
| Due to Central Regional Health Authority | 1,203 | (11,537) |
| **Net cash provided from operations** | 35,315 | 34,564 |
| **Financing** | | |
| Repayment of long-term debt | (35,315) | (34,564) |
| **Net cash applied to financing** | (35,315) | (34,564) |
| **Net increase in cash and cash equivalents** | - | - |
| **Cash** | | |
| Beginning | - | - |
| Ending (Note 3) | $ - | $ - |

See accompanying notes to the consolidated financial statements

# Central Regional Health Authority
## Central Northeast Health Foundation Inc.
## Statement of Financial Position

| March 31 | | 2014 | | 2013 |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Cash (Note 3) | $ | 459,958 | $ | 270,303 |
| Receivables – trade (Note 4) | | 3,485 | | |
| Advance to South and Central Health Foundation for endowment fund (Note 4) | | - | | 5,000 |
| Investments restricted for general endowment fund (Note 5) | | 216,425 | | 187,713 |
| | | 679,868 | | 463,016 |
| **Liabilities** | | | | |
| Accrued vacation pay | | 1,286 | | 1,554 |
| Due to Central Regional Health Authority | | 19,326 | | 66,326 |
| | | 20,612 | | 67,880 |
| **Net financial assets and accumulated surplus** | $ | 659,256 | $ | 395,136 |

See accompanying notes to the consolidated financial statements

# Central Regional Health Authority
## Central Northeast Health Foundation Inc.
## Statement of Operations

| Year ended March 31 | Budget 2014 | Actual 2014 | Actual 2013 |
|---|---|---|---|
| **Revenue** | | | |
| Donations | $ 332,500 | $ 464,947 | $ 357,387 |
| Staff lottery | 44,000 | 44,943 | 43,945 |
| Endowment fund | | | |
| Investment income | 7,000 | 4,788 | 4,727 |
| Investment gains/losses | 2,000 | 13,893 | 1,725 |
| Grants | 25,000 | 36,000 | 75,000 |
| Interest and recoveries | 6,000 | 6,226 | 6,711 |
| | 416,500 | 570,797 | 489,495 |
| **Expenditure** | | | |
| Donations for the purchase of | | | |
| Capital equipment | 150,000 | 74,884 | 105,862 |
| Minor equipment | 30,000 | 80,119 | 57,972 |
| Patient comfort items | 30,000 | 19,344 | 7,460 |
| Healing Garden | 2,500 | 5,469 | 276,667 |
| Office | 8,000 | 1,761 | 1,730 |
| Other supplies and expenses | 25,000 | 28,912 | 44,269 |
| Salaries and benefits | 95,000 | 95,651 | 95,160 |
| Travel | 600 | 537 | 443 |
| | 341,100 | 306,677 | 589,563 |
| **Annual surplus (deficit)** | 75,400 | 264,120 | (100,068) |
| **Accumulated surplus** | | | |
| Beginning of year | 395,136 | 395,136 | 495,204 |
| End of year | $ 470,536 | $ 659,256 | $ 395,136 |

See accompanying notes to the consolidated financial statements

# Central Regional Health Authority
## Central Northeast Health Foundation Inc.
## Statement of Changes in Net Financial Assets (Debt)

| Year ended March 31 | 2014 | 2013 |
|---|---|---|
| **Net assets – beginning of year** | **$ 395,136** | $ 495,204 |
| **Annual surplus (deficit)** | **264,120** | (100,068) |
| **Net assets – end of year** | **$ 659,256** | $ 395,136 |

See accompanying notes to the consolidated financial statements

# Central Regional Health Authority
## Central Northeast Health Foundation Inc.
## Statement of Cash Flows

| Year ended March 31 | 2014 | 2013 |
|---|---|---|
| **Operations** | | |
| Annual surplus (deficit) | $ 264,120 | $ (100,068) |
| Investment gains/losses | (13,893) | (1,725) |
| | 250,227 | (101,793) |
| Change in | | |
| Receivables | (3,485) | - |
| Advance to South and Central Health Foundation for endowment | 5,000 | (5,000) |
| Due from Central Regional Health Authority | (47,000) | (30,593) |
| Accrued vacation pay | (267) | 380 |
| **Net cash provided from (applied to) operations** | 204,475 | (137,006) |
| **Investing** | | |
| Endowment fund investments | | |
| Contributions | (10,032) | (5,200) |
| Reinvested income | (4,788) | (4,727) |
| **Net cash applied to investing** | (14,820) | (9,927) |
| **Net increase (decrease) in cash and cash equivalents** | 189,655 | (146,933) |
| **Cash** | | |
| Beginning of year | 270,303 | 417,236 |
| End of year (Note 3) | $ 459,958 | $ 270,303 |

See accompanying notes to the consolidated financial statements

# Central Regional Health Authority
## South and Central Health Foundation
## Statement of Financial Position

| March 31 | 2014 | 2013 |
|---|---|---|
| **Financial assets** | | |
| Cash | $ 693,129 | $ 566,476 |
| Investments restricted for general endowment fund (Note 5) | 587,384 | 506,169 |
| | 1,280,513 | 1,072,645 |
| **Liabilities** | | |
| Accrued vacation pay | 4,140 | 3,961 |
| Advance from Central Northeast Health Foundation for endowment fund (Note 6) | - | 5,000 |
| Due to Central Regional Health Authority | 141,373 | 26,316 |
| | 145,513 | 35,277 |
| **Net financial assets** | 1,135,000 | 1,037,368 |
| **Non-financial assets** | | |
| Capital assets (Note 12) | 119,373 | 123,912 |
| Prepaids (Note 14) | 1,290 | 1,264 |
| | 120,663 | 125,176 |
| **Accumulated surplus** | $ 1,255,663 | $ 1,162,544 |

See accompanying notes to the consolidated financial statements

# Central Regional Health Authority
## South and Central Health Foundation
### Statement of Operations

| Year ended March 31 | Budget 2014 | Actual 2014 | Actual 2013 |
|---|---|---|---|
| **Revenue** | | | |
| Donations | $ 310,000 | $ 318,974 | $ 431,176 |
| Staff lottery | 59,000 | 57,615 | 58,874 |
| Grants | 44,000 | 36,000 | 75,000 |
| Endowment fund | | | |
| Investment income | 7,000 | 13,147 | 12,929 |
| Investment gains/losses | 5,000 | 37,236 | 4,870 |
| Rentals | 15,000 | 15,600 | 15,600 |
| Interest and recoveries | 6,500 | 13,821 | 13,252 |
| | 446,500 | 492,393 | 611,701 |
| **Expenditure** | | | |
| Donations for the purchase of | | | |
| Capital equipment | 275,000 | 192,414 | 155,016 |
| Minor equipment | 25,000 | 30,458 | 93,787 |
| Patient comfort items | 12,000 | 36,727 | 6,195 |
| Other supplies and expenses | 36,000 | 28,051 | 34,874 |
| Rental expenses, including amortization of $4,539 (2013 -$4,778) | 6,000 | 6,233 | 10,671 |
| Salaries and benefits | 106,000 | 105,391 | 102,569 |
| | 460,000 | 399,274 | 403,112 |
| **Annual surplus (deficit)** | (13,500) | 93,119 | 208,589 |
| **Accumulated surplus** | | | |
| Beginning of year | 1,162,544 | 1,162,544 | 953,955 |
| End of year | $ 1,149,044 | $ 1,255,663 | $ 1,162,544 |

See accompanying notes to the consolidated financial statements

# Central Regional Health Authority
## South and Central Health Foundation
## Statement of Changes in Net Financial Assets (Debt)

| Year ended March 31 | 2014 | 2013 |
|---|---|---|
| **Net assets – beginning of year** | **$ 1,037,368** | $ 824,083 |
| **Annual surplus (deficit)** | **93,119** | 208,589 |
| **Changes in capital assets** | | |
| Amortization of capital assets | **4,539** | 4,778 |
| **Decrease in net book value of capital assets** | **4,539** | 4,778 |
| **Changes in other non-financial assets** | | |
| Increase in prepaids | **(26)** | (82) |
| **Increase in other non-financial assets** | **(26)** | (82) |
| **Increase in net assets** | **97,632** | 213,285 |
| **Net assets – end of year** | **$ 1,135,000** | $ 1,037,368 |

See accompanying notes to the consolidated financial statements

# Central Regional Health Authority
## South and Central Health Foundation
## Statement of Cash Flows

| Year ended March 31 | 2014 | 2013 |
|---|---|---|
| **Operations** | | |
| Annual Surplus | $ 93,119 | $ 208,589 |
| Amortization | 4,539 | 4,778 |
| Investment gains/losses | (37,236) | (4,870) |
| | 60,422 | 208,497 |
| Change in | | |
| Prepaids | (26) | (82) |
| Due to Central Regional Health Authority | 115,057 | (132,756) |
| Accrued vacation pay | 180 | 88 |
| Advance from Central Northeast Health Foundation | (5,000) | 5,000 |
| **Net cash provided from operations** | 170,633 | 80,747 |
| **Investing** | | |
| Endowment fund investments | | |
| Contributions | (30,834) | (34,565) |
| Reinvested income | (13,146) | (12,929) |
| **Net cash applied to investing** | (43,980) | (47,494) |
| **Financing** | | |
| Repayment of long-term debt | - | (95,823) |
| **Net cash applied to financing** | - | (95,823) |
| **Net increase (decrease) in cash and cash equivalents** | 126,653 | (62,570) |
| **Cash** | | |
| Beginning of year | 566,476 | 629,046 |
| End of year | $ 693,129 | $ 566,476 |

See accompanying notes to the consolidated financial statements

### 1. Nature of operations

The Central Regional Health Authority ("Central Health") or ("The Authority") is charged with the responsibility for the provision of health care services in the Central region of Newfoundland and Labrador.

The mandate of Central Health is to provide the best possible health and community services and programs which respond to the identified needs of the people of Central Newfoundland and Labrador within available resources.

Central Health is a not-for-profit corporation and is exempt from income taxes and is constituted under the Regional Health Authority's Act.

### 2. Summary of significant accounting policies

These consolidated financial statements have been prepared in accordance with Canadian public sector accounting standards. Outlined below are those policies considered particularly significant by the Authority.

**Basis of consolidation**
These consolidated statements represent the consolidated assets, liabilities, revenues and expenses of the following entities which comprise the reporting entity. The reporting entity is comprised of all organizations which are controlled by Central Health including the following:

North Haven Manor Cottages
Valley Vista Cottages
Bonnews Lodge Apartment Complex
Central Northeast Health Foundation
South and Central Health Foundation

**Use of estimates**
The preparation of consolidated financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Items requiring the use of significant estimates include accrued severance, accrued sick leave, useful life of tangible capital assets and allowance for doubtful receivables.

Estimates are based on the best information available at the time of preparation of the consolidated 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.

2. **Summary of significant accounting policies** (cont'd.)

### Cash and cash equivalents

Cash and cash equivalents include cash on hand and balances with banks, net of any overdrafts. Bank overdrafts are considered a component of cash and cash equivalents and are secured by approved authority to borrow authorized by the Province's Minister of Health and Community Services.

### 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.

Transfers are recognized as revenues when the transfer is authorized, any eligibility criteria are met, and reasonable estimates of the amounts can be made. Transfers are recognized as deferred revenue when amounts have been received but not all eligibility criteria have been met.

### Expenses

Expenses are reported on an accrual basis. Expenses are recognized as they are incurred and measurable based upon the receipt of goods and services or the creation of an obligation to pay.

### Deferred revenue

Certain amounts are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the delivery of specific services in transactions. These amounts are recognized as revenue in the fiscal year the related expenses are incurred, services are performed or when stipulations are met.

### Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives generally extending beyond the current year and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the change in net financial assets for the year.

### Severance and sick pay liability

An accrued liability for severance is recorded in the accounts for all employees who have a vested right to receive such payments. Severance pay vests after nine years of continuous service. An estimate for the provision of employees with less than nine years of service has been determined by actuarial analysis.

An actuarially determined accrued liability has been recorded on the statements for non-vesting sick leave benefits. The cost of non-vesting sick leave benefits are actuarially determined using management's best estimate of salary escalation, accumulated sick days at retirement, long-term inflation rates and discount rates. Actuarial gains or losses are being amortized to the liability and the related expense straight-line over the expected average remaining service life of the employee group.

2. **Summary of significant accounting policies** (cont'd.)

**Inventories**
Inventories have been determined using the following methods for the various areas. Cost includes purchase price plus the non-refundable portion of applicable taxes.

| | |
|---|---|
| General stores | At average cost |
| Drugs | First-in, first-out |

**Capital assets**
The Authority has control over certain lands, buildings and equipment with the title resting with the Government and consequently these assets are not recorded under capital assets. In accordance with an operating agreement with Newfoundland and Labrador Housing Corporation, certain assets of the North Haven Manor Cottage Units Phase I, II, III, North Haven Manor Cottage Units Phase IV, Valley Vista Cottages, and Bonnews Lodge Apartment Complex are being amortized at a rate equal to the annual principal reduction of the mortgages related to the properties.

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Other capital assets are being amortized on a declining balance basis over their useful lives, at the following rates:

| | |
|---|---|
| Land improvements | 5.0% |
| Buildings and service equipment | 5.0% |
| Information systems equipment | 33.3% |
| Equipment | 12.5% |
| Motor vehicles | 20.0% |

**Capital and operating leases**
A lease that transfers substantially all of the risks and rewards incidental to the ownership of property is accounted for as a capital lease. Assets acquired under capital lease result in a capital asset and an obligation being recorded equal to the lesser of the present value of the minimum lease payments and the property's fair value at the time of inception. All other leases are accounted for as operating leases and the related payments are expensed as incurred.

**Impairment of long-lived assets**
Long-lived assets are reviewed for impairment upon the occurrence of events or changes in circumstances indicating that the value of the assets may not be recoverable, as measured by comparing their net book value to the estimated undiscounted cash flows generated by their use. Impaired assets are recorded at fair value, determined principally using discounted future cash flows expected from their use and eventual disposition.

**Replacement reserves**
Under certain operating agreements with Newfoundland and Labrador Housing Corporation (NLHC) the Authority is required to maintain a Replacement Reserve Fund which is to be used to fund major maintenance and the purchase of capital assets. These funds may only be used as approved by NLHC. Transactions in the reserves are shown in Note 11.

## 2. Summary of significant accounting policies (cont'd.)

**Pension costs**

Employees of Central Health are covered by the Public Service Pension Plan and the Government Money Pension Plan administered by the Province of Newfoundland and Labrador. Contributions to the plans are required from both the employees and Central Health. The annual contributions for pensions are recognized in the accounts on a current basis.

**Financial instruments**

The Authority recognizes a financial asset or a financial liability on its statement of financial position when the Authority becomes a party to the contractual provision of the financial instrument. The Authority initially measures its financial assets and liabilities at fair value, except for certain non-arms length transactions. The Authority subsequently measures all its financial assets and liabilities at amortized cost except for investments restricted for endowment purposes which are subsequently measured at fair value.

Financial assets measured at amortized cost include cash and cash equivalents, receivables, trust funds and replacement reserve funding. Financial assets measured at fair value are investments restricted for endowment purposes.

Financial liabilities measured at amortized cost include bank indebtedness, payables and accruals, employee future benefits, deferred grants, long-term debt, obligations under capital lease, trust funds, security deposits, replacement reserves and scholarship and library funds payable.

Unless otherwise noted, it is management's opinion that the Authority is not exposed to significant interest, currency or credit risks.

## 3. Cash

| | 2014 | 2013 |
|---|---|---|
| Operating: | | |
| Cash | $ 14,425 | $ 14,725 |
| Bank – current accounts | 15,397,025 | 4,724,173 |
| | 15,411,450 | 4,738,898 |
| Cash and bank other: | | |
| North Haven Manor Cottage Units Phase I, II, III | 90,956 | 101,154 |
| North Haven Manor Cottage Units Phase IV | 15,174 | 16,843 |
| Valley Vista Cottages | 31,977 | 57,704 |
| Central Northeast Health Foundation | 459,958 | 270,303 |
| South and Central Health Foundation | 693,129 | 566,476 |
| | $ 16,702,644 | $ 5,751,378 |

The Authority has access to a $15 million line of credit in the form of revolving demand loans at its bankers. These loans have been approved by the Minister of Health and Community Services. This line of credit was unused at March 31, 2014.

# Central Regional Health Authority
## Notes to the Consolidated Financial Statements
March 31, 2014

| 4. **Receivables** | **2014** | 2013 |
|---|---|---|
| Operating | | |
| Provincial plan grants - operating | **$ 8,122,160** | $ 11,642,498 |
| Capital grants | **471,198** | 9,007,157 |
| Patient, rents and other | **6,547,707** | 5,851,065 |
| MCP | **1,927,960** | 2,322,177 |
| Cancer Foundation | **1,166,415** | 839,072 |
| HST | **663,427** | 858,948 |
| | **18,898,867** | 30,520,917 |
| Allowance for doubtful | **501,712** | 902,133 |
| | **18,397,155** | 29,618,784 |
| North Haven Manor Cottages Phase I,II,III | | |
| Trade | **-** | 47 |
| Due from NLHC - operating subsidy | **6,270** | 6,270 |
| | **6,270** | 6,317 |
| North Haven Manor Cottages Phase IV | | |
| Trade | **27** | - |
| Accrued interest | **532** | 574 |
| Due from NLHC - operating subsidy | **2,205** | 3,401 |
| | **2,764** | 3,975 |
| Valley Vista Cottages | | |
| Trade | **-** | 455 |
| Due from NLHC - operating subsidy | **4,257** | 4,434 |
| | **4,257** | 4,889 |
| Central Northeast Health Foundation | | |
| Trade | **3,485** | - |
| South and Central Health Foundation | **-** | 5,000 |
| | **3,485** | 5,000 |
| | **$ 18,413,931** | $ 29,638,965 |

## 5. Investments restricted for general endowment purposes

The Central Northeast Health Foundation Inc. and the South and Central Health Foundation maintain a joint investment restricted for general endowment purposes, with their proportionate market value as follows:

| | 2014 | 2013 |
|---|---|---|
| Central Northeast Health Foundation Inc. | $ 216,425 | $ 187,713 |
| South and Central Health Foundation | 587,384 | 506,169 |
| | $ 803,809 | $ 693,882 |

## 6. Payables and accruals

| | 2014 | 2013 |
|---|---|---|
| Operating | | |
| Trade | $ 14,993,603 | $ 15,881,809 |
| Residents comfort fund | 31,011 | 27,987 |
| Accrued - wages | 11,987,667 | 10,953,020 |
| - interest | 38,487 | 39,121 |
| | 27,050,768 | 26,901,937 |
| North Haven Manor Cottage Units Phase I,II,III | | |
| Trade | 24,863 | 7,108 |
| Accrued interest | 1,585 | 2,035 |
| | 26,448 | 9,143 |
| North Haven Manor Cottage Units Phase IV | | |
| Trade | 1,613 | 1,612 |
| Accrued interest | 532 | 574 |
| | 2,145 | 2,186 |
| Valley Vista Cottages | | |
| Trade | 1,500 | 1,500 |
| Accrued interest | 1,125 | 1,818 |
| | 2,625 | 3,318 |
| Bonnews Lodge Apartment Complex | | |
| Trade | 3,186 | 1,056 |
| Accrued interest | 740 | 840 |
| Due to NLHC - operating subsidy | 6,203 | 9,435 |
| | 10,129 | 11,331 |
| South and Central Health Foundation | | |
| Central Northeast Health Foundation | - | 5,000 |
| | $ 27,092,115 | $ 26,932,915 |

| 7. Employee future benefits | 2014 | 2013 |
|---|---|---|

Future employee benefits related to accrued severance and accrued sick obligations have been calculated based on an actuarial valuation completed on June 19, 2012 and extrapolated to March 31, 2014. The assumptions are based on future events. The economic assumptions used in the valuation are Central Health's best estimates of expected rates as follows:

| | 2014 | 2013 |
|---|---|---|
| Wages and salary escalation | **2.75%** | 4.00% |
| Interest | **3.90%** | 3.60% |

Based on actuarial valuation of the liability, at March 31, 2014 the results for sick leave are:

| | 2014 | 2013 |
|---|---|---|
| Accrued sick pay obligation, beginning | **$ 17,299,918** | $ 16,975,809 |
| Current period benefit cost | **1,754,054** | 1,669,770 |
| Benefit payments | **(2,209,855)** | (2,237,440) |
| Interest on the accrued benefit obligations | **614,593** | 642,641 |
| Actuarial (gains) losses | **(922,917)** | 249,138 |
| Accrued sick pay obligations, at end | **$ 16,535,793** | $ 17,299,918 |

Based on actuarial valuation of the liability, at March 31, 2014 the results for severance are:

| | 2014 | 2013 |
|---|---|---|
| Accrued benefit obligation, beginning | **$ 30,105,639** | $ 27,945,147 |
| Current period benefit cost | **2,047,131** | 2,027,108 |
| Benefit payments | **(1,732,175)** | (1,597,392) |
| Interest on the accrued benefit obligation | **1,089,473** | 1,084,159 |
| Actuarial (gains) losses | **(2,041,598)** | 646,617 |
| Accrued severance obligation, at end | **$ 29,468,470** | $ 30,105,639 |

A reconciliation of the accrued benefit liability and the accrued benefit obligation is as follows:

Sick benefits

| | 2014 | 2013 |
|---|---|---|
| **Accrued benefit liability** | **$ 16,207,839** | $ 15,933,637 |
| Unamortized actuarial losses | **327,954** | 1,366,281 |
| Accrued benefit obligation | **$ 16,535,793** | $ 17,299,918 |

Severance benefits:

| | 2014 | 2013 |
|---|---|---|
| **Accrued benefit liability** | **$ 28,462,499** | $ 26,777,716 |
| Unamortized actuarial losses | **1,005,971** | 3,327,923 |
| Accrued benefit obligation | **$ 29,468,470** | $ 30,105,639 |

**8. Deferred grants**

| | 2014 | 2013 |
|---|---|---|
| Deferred operating grants | $ 3,215,438 | $ 1,476,500 |
| Deferred capital grants | 24,316,284 | 27,735,718 |
| | $ 27,531,722 | $ 29,212,218 |

**9. Long-term debt**

| | 2014 | 2013 |
|---|---|---|
| **Operating** | | |
| 2.4% CMHC mortgage on Lakeside Homes; repayable in equal monthly instalments of $12,112, interest included; maturing April, 2020, renewable October, 2015 | $ 822,086 | $ 946,166 |
| 7.5% CMHC mortgage on Lakeside Homes; repayable in equal monthly instalments of $4,574, interest included; maturing July, 2023 | 369,992 | 396,477 |
| Prime minus 1.1% Canadian Imperial Bank of Commerce deferred demand loan; repayable in equal monthly instalments of $3,056, plus interest; maturing December, 2018 | 174,113 | 210,785 |
| 3.53% Canadian Imperial Bank of Commerce loan for Carmelite House, unsecured; repayable in equal monthly instalments of $58,386, interest included; maturing January, 2027 | 7,222,004 | 7,659,294 |
| 4.89% Canadian Imperial Bank of Commerce mortgage on 3 Twomey Dr, Botwood housing; repayable in equal monthly instalments of $431, interest included; maturing July, 2027, renewable July, 2014 | 50,385 | 53,051 |
| 4.89% Canadian Imperial Bank of Commerce mortgage on 145 Commonwealth Ave, Botwood housing; repayable in equal monthly instalments of $390, interest included; maturing June, 2027, renewable July, 2014 | 45,611 | 48,024 |
| 2.46% Canadian Imperial Bank of Commerce mortgage on hospital renovations; repayable in equal monthly instalments of $8,423, interest included; matured January, 2014 | - | 83,288 |

| 9. **Long-term debt** (cont'd.) | **2014** | 2013 |
|---|---|---|
| 8.0% Newfoundland and Labrador Housing Corporation mortgage on Valley Vista Senior Citizens Home; repayable in equal monthly instalments of $10,124, interest included; maturing August, 2027 | **1,006,484** | 1,047,000 |
| 7.88% Newfoundland and Labrador Housing Corporation mortgage on Authority offices; repayable in equal monthly instalments of $8,165, interest included; maturing August, 2024 | **704,060** | 745,558 |
| 2.61% Newfoundland and Labrador Housing Corporation mortgage on Valley Vista Senior Citizens Home; repayable in equal monthly instalments of $7,900, interest included; maturing July, 2019, renewable September, 2014 | **471,625** | 553,023 |
| Prime minus 1.1% Canadian Imperial Bank of Commerce deferred demand loan; repayable in equal , monthly instalments of $6,199, plus interest; maturing 2015 | **74,385** | 148,769 |
| 2.99% Bank of Nova Scotia 1st mortgage on land and building at 1 Newman's Hill, Twillingate; repayable in equal monthly instalments of $406, interest included; maturing July, 2024, renewable May, 2017 | **43,288** | 46,765 |
| 2.99% Bank of Nova Scotia 1st mortgage on land and building at 42 Howlett's Road, Twillingate; repayable in equal monthly instalments of $352, interest included; maturing April, 2020, renewable May, 2017 | **23,462** | 26,900 |
| 2.89% Bank of Nova Scotia 1st mortgage on land and building at 30 Smith's Lane, Twillingate; repayable in equal monthly instalments of $350, interest included; maturing July , 2020, renewable December, 2016 | **24,284** | 27,770 |
| | **11,031,779** | 11,992,870 |

| 9. **Long-term debt** (cont'd.) | **2014** | 2013 |
|---|---|---|
| **North Haven Manor Cottages Phase I,II,III** | | |
| 4.25% Industrial Alliance Insurance and Financial Services Inc. mortgage on North Haven Manor Cottages; repayable in equal monthly instalments of $8,668, interest included; maturing December, 2016 | $ **269,652** | $ 360,228 |
| 1.64% Newfoundland and Labrador Housing Corporation mortgage on North Haven Manor Cottages; repayable in equal monthly instalments of $8,541, interest included; maturing November, 2018 | **460,156** | 554,286 |
| | **729,808** | 914,514 |
| **North Haven Manor Cottages Phase IV** | | |
| 1.67% Newfoundland and Labrador Housing Corporation mortgage on North Haven Manor Cottages; repayable in equal monthly instalments of $3,029, interest included maturing July, 2025, renewable April, 2017 | **375,080** | 404,908 |
| **Valley Vista Cottages** | | |
| 2.26% Newfoundland and Labrador Housing Corporation mortgage on Valley Vista Cottages; repayable in equal monthly instalments of $4,865, interest included; maturing June, 2016 | **127,937** | 182,766 |
| 1.53% Newfoundland and Labrador Housing Corporation mortgage on Valley Vista Cottages; repayable in equal monthly instalments of $9,738 interest included; maturing December, 2017 | **425,500** | 534,906 |
| 1.67% Newfoundland and Labrador Housing Corporation mortgage on Valley Vista Cottages; repayable in equal monthly instalments of $4,807, interest included; maturing May, 2018, renewable June, 2016 | **232,023** | 284,842 |
| | **785,460** | 1,002,514 |
| **Bonnews Lodge Apartment Complex** | | |
| 2.04% Newfoundland and Labrador Housing Corporation 1st mortgage on Bonnews Apartment Complex; repayable in equal monthly instalments of $3,714 interest included; maturing December, 2024, renewable April, 2019 | **427,092** | 462,408 |
| | **$ 13,349,219** | $ 14,777,214 |

### 9. Long-term debt (cont'd.)

The aggregate amount of principal payments estimated to be required in each of the next five years and thereafter is as follows:

| | |
|---|---|
| 2015 | $ 1,386,119 |
| 2016 | 1,354,015 |
| 2017 | 1,327,819 |
| 2018 | 1,247,381 |
| 2019 | 1,108,705 |
| Thereafter | 6,925,180 |

### 10. Obligations under capital lease

The Authority has entered into a number of agreements whereby it leases certain equipment for a term of five years. These leases are accounted for as capital leases with the Authority treating the equipment as an acquisition of an asset and the assumption of an obligation. The effective interest rate is 4.85%.

The following is a schedule of future minimum lease payments under the capital leases:

| | |
|---|---|
| Year ending March 31, 2015 | $ 119,564 |
| Total minimum lease payments | 119,564 |
| Less amount representing interest | 1,662 |
| Balance of obligation | $ 117,902 |

| **11. Replacement reserves** | **2014** | 2013 |
|---|---|---|
| North Haven Manor Cottages Phase I,II,III | | |
| Balance, beginning | $ 2,171 | $ 12,239 |
| Add: | | |
| Allocation for year | 30,220 | 30,220 |
| Contributions from Authority | 12,900 | 12,900 |
| | 45,291 | 55,359 |
| Less: | | |
| Approved expenditures | 36,613 | 53,188 |
| Balance, ending | 8,678 | 2,171 |
| North Haven Manor Cottages Phase IV | | |
| Balance, beginning | 82,643 | 76,010 |
| Add: | | |
| Newfoundland and Labrador Housing Corporation transfer from subsidy account for prior year's expenditures | - | 6,633 |
| | 82,643 | 82,643 |
| Less: | | |
| Approved expenditures | - | - |
| Balance, ending | 82,643 | 82,643 |
| Valley Vista Cottages | | |
| Balance, beginning | 6,815 | 6,892 |
| Add: | | |
| Allocation for year | 30,000 | 30,000 |
| | 36,815 | 36,892 |
| Less: | | |
| Approved expenditures | 31,137 | 30,077 |
| Balance, ending | 5,678 | 6,815 |
| Bonnews Lodge Apartment Complex | | |
| Balance, beginning | 62,400 | 62,400 |
| Less: | | |
| Approved expenditures | - | - |
| Balance, ending | 62,400 | 62,400 |
| | $ 159,399 | $ 154,029 |
| Funding | | |
| Replacement reserve funds | $ 14,356 | $ 8,986 |
| Due from Newfoundland and Labrador Housing Corporation | 145,043 | 145,043 |
| | $ 159,399 | $ 154,029 |

## 12. Capital assets

| | | | 2014 | 2013 |
|---|---|---|---|---|
| | Cost | Accumulated Amortization | **Net Book Value** | Net Book Value |
| Operating | | | | |
| Land | $ 450,991 | $ - | $ **450,991** | $ 450,991 |
| Land improvements | 1,031,547 | 735,710 | **295,837** | 311,407 |
| Buildings and service equipment | 65,474,050 | 45,526,115 | **19,947,935** | 20,997,826 |
| Equipment | 115,700,787 | 84,399,640 | **31,301,147** | 31,316,922 |
| Equipment under capital lease | 2,781,898 | 2,491,629 | **290,269** | 381,242 |
| Motor vehicles | 3,240,433 | 2,433,684 | **806,749** | 1,008,436 |
| Motor vehicles under capital lease | 196,503 | 179,424 | **17,079** | 21,349 |
| | 188,876,209 | 135,766,202 | **53,110,007** | 54,488,173 |
| North Haven Manor Cottages Phase I, II, III | | | | |
| Land | 16,900 | - | **16,900** | 16,900 |
| Land improvements | 180,500 | 113,559 | **66,941** | 77,951 |
| Buildings | 3,268,158 | 2,173,236 | **1,094,922** | 1,287,520 |
| Equipment | 113,848 | 72,444 | **41,404** | 48,529 |
| | 3,579,406 | 2,359,239 | **1,220,167** | 1,430,900 |
| North Haven Manor Cottages Phase IV | | | | |
| Land | 24,571 | - | **24,571** | 24,571 |
| Buildings | 687,616 | 322,107 | **365,509** | 395,337 |
| | 712,187 | 322,107 | **390,080** | 419,908 |
| Valley Vista Cottages | | | | |
| Land | 27,014 | - | **27,014** | 27,014 |
| Buildings | 3,588,770 | 2,800,564 | **788,206** | 1,003,323 |
| Equipment | 33,262 | 29,797 | **3,465** | 5,402 |
| | 3,649,046 | 2,830,361 | **818,685** | 1,035,739 |
| Bonnews Lodge Apartment Complex | | | | |
| Land | 774 | - | **774** | 774 |
| Buildings | 870,022 | 446,723 | **423,299** | 458,365 |
| Equipment | 6,204 | 3,185 | **3,019** | 3,268 |
| | 877,000 | 449,908 | **427,092** | 462,407 |
| South and Central Health Foundation | | | | |
| Land | 33,134 | - | **33,134** | 33,134 |
| Buildings | 119,143 | 32,902 | **86,241** | 90,778 |
| | 152,277 | 32,902 | **119,375** | 123,912 |
| | $ 197,846,125 | $ 141,760,719 | $ **56,085,406** | $ 57,961,039 |

| **13. Inventories** | **2014** | 2013 |
|---|---|---|
| General stores | $ **941,401** | $ 891,060 |
| Drugs | **1,298,588** | 1,355,795 |
| | $ **2,239,989** | $ 2,246,855 |

| **14. Prepaids** | **2014** | 2013 |
|---|---|---|
| Operating | | |
| Equipment maintenance | $ **828,763** | $ 1,153,941 |
| Malpractice and membership fees | **58,249** | 112,399 |
| General insurance | **236,651** | 365,088 |
| Workplace Health, Safety and Compensation Commission | **4,308,368** | 4,261,490 |
| Municipal taxes | **645,055** | 625,167 |
| Other | **753,751** | 1,146,888 |
| | **6,830,837** | 7,664,973 |
| Municipal taxes | | |
| North Haven Manor Cottage Units Phase I, II, III | **65,269** | 46,530 |
| North Haven Manor Cottage Units Phase IV | **5,109** | 5,109 |
| Valley Vista Cottages | **34,234** | 33,176 |
| South and Central Health Foundation | **1,290** | 1,264 |
| | $ **6,936,739** | $ 7,751,052 |

**15. Operating subsidies**

The Authority has received federal assistance through Canada Mortgage and Housing Corporation pursuant to Section 56.1 of the National Housing Act to reduce operating costs. The amount of assistance received from Newfoundland and Labrador Housing Corporation in 2014 was $56,805 (2013 - $56,805) for operating facilities and $370,144 (2013 - $398,150) for the Authority's Cottage operations.

Also during the prior year it was determined that the grants for the Authority's Cottages were overpaid in prior years' by $176,321; consequently the overpayment was reimbursed by North Haven Manor Cottage Units Phase I,II,III, thus reducing the grants in the Cottage operations from $398,150 to $221,829.

## 16. Commitments

Operating leases

The Authority has a number of agreements whereby it leases property and equipment in addition to those disclosed under Note 12. These agreements range in terms from one to five years. These leases are accounted for as operating leases. Future minimum lease payments under operating leases are as follows:

| | |
|---|---|
| 2015 | $ 264,200 |
| 2016 | 154,619 |
| 2017 | 129,114 |
| 2018 | 49,152 |
| 2019 | 468 |

## 17. Contingencies:

As of March 31, 2014 there were a number of legal claims against the Authority in varying amounts for which no provision has been made. It is not possible to determine the amounts, if any, that may ultimately be assessed against the Authority with respect to these claims, but management and the insurers believe any claims, if successful, will be covered by liability insurance.

## 18. Comparative figures

Certain of the comparative figures have been restated to conform to the financial statement presentation used in the current year.

The comparative figures were audited by another accounting firm.

Grant Thornton

# Financial Statements

# Chicken Farmers of Newfoundland and Labrador

# December 31, 2013

# Statement of Responsibility

The accompanying financial statements are the responsibility of the management of the Chicken Farmers of Newfoundland and Labrador (the "Board") and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants.

In carrying out its responsibilities, management maintains appropriate systems of internal and administrative controls designed to provide reasonable assurance that transactions are executed in accordance with proper authorization, that assets are properly accounted for and safeguarded, and that financial information produced is relevant and reliable.

The Board met with management and its external auditors to review a draft of the financial statements and to discuss any significant financial reporting or internal control matters prior to their approval of the finalized financial statements.

Grant Thornton LLP as the Board's appointed external auditors, have audited the financial statements. The auditor's report is addressed to the Directors of the Board and appears on the following page. Their opinion is based upon an examination conducted in accordance with Canadian generally accepted auditing standards, performing such tests and other procedures as they consider necessary to obtain reasonable assurance that the financial statements are free of material misstatement and present fairly the financial position and results of the Board in accordance with Canadian public sector accounting standards.

Ruth Noseworthy ____________ Chair   Ed O'Reilly ____________ Director

# Independent Auditors' Report

Grant Thornton LLP
Suite 300
15 International Place
St. John's, NL
A1A 0L4

T (709) 778-8800
F (709) 722-7892
www.GrantThornton.ca

To the Directors of

Chicken Farmers of Newfoundland and Labrador

We have audited the accompanying financial statements of Chicken Farmers of Newfoundland and Labrador, which comprise the statement of financial position as at December 31, 2013 and the statement of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

**Management's responsibility for the financial statements**
Management is responsible for the preparation and fair presentation of these 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.

**Auditor's responsibility**
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian public sector accounting standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Board's preparation and fair presentation of the 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 Board'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 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 financial statements present fairly, in all material respects, the financial position of Chicken Farmers of Newfoundland and Labrador as at December 31, 2013, and its financial performance and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Grant Thornton LLP

St. John's, Canada

March 6, 2014

Chartered Accountants

# Chicken Farmers of Newfoundland and Labrador

## Statement of Financial Position

| December 31 | | 2013 | | 2012 |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Cash and cash equivalents | $ | **95,657** | $ | 89,397 |
| Receivables (Note 5) | | **23,632** | | 22,781 |
| Investment | | **15,651** | | 15,651 |
| | $ | **134,940** | $ | 127,829 |
| **Liabilities** | | | | |
| Payables and accruals | $ | **23,409** | $ | 27,557 |
| Accrued severance pay | | **7,922** | | 6,601 |
| | | **31,331** | | 34,158 |
| **Net financial assets** | $ | **103,609** | $ | 93,671 |
| **Non-financial assets** | | | | |
| Prepaids | $ | **3,110** | $ | 2,496 |
| Tangible capital assets (Note 6) | | **5,371** | | 3,118 |
| | | **8,481** | | 5,614 |
| **Accumulated surplus** | $ | **112,090** | $ | 99,285 |

Commitments (Note 7)

On behalf of the Board

Ruth Noseworthy Chair Ed O'Reilly Director

See accompanying notes to the financial statements.

# Chicken Farmers of Newfoundland and Labrador

## Statements of Operations and Changes in Accumulated Surplus

| Year Ended December 31 | Actual 2013 | (Note 8) Budget 2013 | Actual 2012 |
|---|---|---|---|
| Revenue | | | |
| Levies | $ 284,205 | $ 277,500 | $ 281,724 |
| Grant funded projects | 4,448 | - | 3,300 |
| CFC Summer meeting | 49,622 | - | - |
| Interest and miscellaneous | 1,771 | 120 | 253 |
| | 340,046 | 277,620 | 285,277 |
| Other costs | | | |
| Costs for Grant funded projects | 12,588 | 9,000 | 13,036 |
| Costs for CFC Summer meeting | 52,033 | - | - |
| | 275,425 | 268,620 | 272,241 |
| Expenses (Page 13) | | | |
| Administration | $ 102,486 | $ 101,076 | $ 121,335 |
| Regulatory | 117,148 | 118,087 | 117,883 |
| Promotion | 22,452 | 27,076 | 29,702 |
| Facilitation | 20,534 | 23,185 | 21,132 |
| | 262,620 | 269,424 | 290,052 |
| Annual surplus (deficit) | $ 12,805 | $ (804) | $ (17,811) |

| | | | |
|---|---|---|---|
| Accumulated surplus, beginning of year | $ 99,285 | $ 99,285 | $ 117,096 |
| Annual surplus (deficit) | 12,805 | (804) | (17,811) |
| Accumulated surplus, end of year | $ 112,090 | $ 98,481 | $ 99,285 |

See accompanying notes to the financial statements.

# Chicken Farmers of Newfoundland and Labrador

## Statement of Changes in Net Financial Assets

| Year Ended December 31 | Actual 2013 | (Note 8) Budget 2013 | Actual 2012 |
|---|---|---|---|
| Annual surplus (deficit) | $ 12,805 | $ (804) | $ (17,811) |
| Amortization of tangible capital assets | 943 | 950 | 827 |
| Purchase of tangible capital assets | (3,196) | - | - |
| (Increase) decrease in prepaids | (614) | - | 354 |
| Increase (decrease) in net assets | 9,938 | 146 | (16,630) |
| Net financial assets, beginning of year | 93,671 | 93,671 | 110,301 |
| Net financial assets, end of year | $ 103,609 | $ 93,817 | $ 93,671 |

See accompanying notes to the financial statements.

# Chicken Farmers of Newfoundland and Labrador

## Statement of Cash Flows

| Year Ended December 31 | 2013 | 2012 |
|---|---|---|
| (Decrease) increase in cash and cash equivalents | | |
| **Operating** | | |
| Annual surplus (deficit) | $ 12,805 | $ (17,811) |
| Change in non-cash items | | |
| Accrued severance pay | 1,321 | 1,705 |
| Depreciation | 943 | 827 |
| Receivables | (851) | (1,676) |
| Prepaids | (614) | 354 |
| Current portion of long-term receivable | - | 16,940 |
| Payables and accruals | (4,148) | (2,481) |
| Deferred grant revenue | - | - |
| Cash provided by (used in) operating transactions | 9,456 | (2,142) |
| **Investing** | | |
| Purchase of tangible capital assets | (3,196) | - |
| Cash provided by investing transactions | (3,196) | - |
| Increase (decrease) in cash and cash equivalents | 6,260 | (2,142) |
| Cash and cash equivalents, beginning of year | 89,397 | 91,539 |
| Cash and cash equivalents, end of year | $ 95,657 | $ 89,397 |

See accompanying notes to the financial statements.

## 1. Nature of operations

The Chicken Farmers of Newfoundland and Labrador was established in 1981 by the *Newfoundland and Labrador Chicken Marketing Scheme, 1980*, under the *Natural Products Marketing Act, 1973* (Act), to provide for the effective promotion, control and regulation of the production and marketing of chicken in Newfoundland and Labrador. The Board is responsible for administering the regulations as provided for in the Act under the laws of the Province of Newfoundland and Labrador.

## 2. Chicken Farmers of Canada

Pursuant to authority given to it under the Farm Products Marketing Act of Canada, the Chicken Farmers of Canada (CFC) collects levies from provincial commodity boards. The Chicken Farmers of Newfoundland and Labrador collects these levies directly from the processor and remits them to CFC. There were $83,367 of levies collected in 2013 (2012 - $82,639).

## 3. Summary of significant accounting policies

### Basis of presentation

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles as recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants and reflect the following significant accounting policies.

### Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenues and expenses during the period. Items requiring the use of significant estimates include the useful life of capital assets, estimated accrual severance rates for amortization and impairment of assets.

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.

### Levies

The Board charges levies to the producer based on volume of chicken marketed in Newfoundland and Labrador. Revenue is recognized when the chicken is produced/marketed and collectability is reasonably assured.

**3. Summary of significant accounting policies** (cont'd.)

**Grant revenue**

Revenue from grants is recognized as deferred revenue when amounts have been received but not all eligibility criteria have been met.

**Cash and cash equivalents**

Cash and cash equivalents include cash on hand, balances with banks, and short term investments with maturities of three months or less. Bank borrowings are considered to be financing activities.

**Investment**

Non-redeemable guaranteed investment certificates are classified as investments. Interest related to these investments is accrued as earned. The carrying value of this investment approximates its fair value.

**Non-financial assets**

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives generally extending beyond the current year and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the change in net financial assets for the year.

**Tangible capital assets**

Tangible capital assets are recorded at cost. Depreciation is provided annually at rates calculated to write off the assets over their estimated useful life as follows, except in the year of acquisition when one half of the rate is used.

| | |
|---|---|
| Furniture and equipment | 20%, declining balance |

**Impairment of long-lived assets**

Long-lived assets are reviewed for impairment upon the occurrence of events or changes in circumstances indicating that the value of the assets may not be recoverable, as measured by comparing their net book value to the estimated undiscounted cash flows generated by their use. Impaired assets are recorded at fair value, determined principally using discounted future cash flows expected from their use and eventual disposition.

3. **Summary of significant accounting policies** (cont'd.)

**Accrued severance pay**

Severance pay will be awarded at the rate of one week of salary per year of service to a maximum of 20 weeks and is calculated based upon current salary levels. The amount is payable when the employee ceases employment with the Board.

**Financial instruments**

The Board considers any contract creating a financial asset, liability or equity instrument as a financial instrument, except in certain limited circumstances. The Board accounts for the following as financial instruments:

- cash and cash equivalents;
- receivables;
- investments; and
- payables and accruals.

A financial asset or liability is recognized when the Board becomes party to contractual provisions of the instrument.

The Board initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument.

The Board subsequently measures its financial assets and financial liabilities at cost or amortized cost, except for derivatives and equity securities quoted in an active market, which are subsequently measured at fair value. Changes in fair value are recognized in annual surplus.

Financial assets measured at cost include cash and cash equivalents and receivables.

Financial assets measured at fair value include the investment.

Financial liabilities measured at cost include payables and accruals.

The Board removes financial liabilities, or a portion of, when the obligation is discharged, cancelled or expires.

Financial assets measured at cost are tested for impairment when there are indicators of impairment. Previously recognized impairment losses are reversed to the extent of the improvement provided the asset is not carried at an amount, at the date of the reversal, greater than the amount that would have been the carrying amount had no impairment loss been recognized previously. The amounts of any write-downs or reversals are recognized in net annual surplus.

## 4. Operating Agreement

The Chicken Farmers of Newfoundland and Labrador has entered into an Agreement with the other provincial boards known as the Operating Agreement. This Agreement provides for levy assessment should a province over produce its allocation from CFC.

As part of this agreement, the Chicken Farmers of Newfoundland and Labrador has filed a letter of credit to CFC in respect of any possible over marketing levies assessed. The letter of credit as at December 31, 2013 was $28,658 (2012 - $28,658).

## 5. Receivables

| | 2013 | 2012 |
|---|---|---|
| Levies | $ 21,217 | $ 22,679 |
| Accrued interest | - | 102 |
| Travel advances | 2,415 | - |
| | $ 23,632 | $ 22,781 |

## 6. Tangible capital assets

| | | | 2013 | 2012 |
|---|---|---|---|---|
| | Cost | Accumulated Amortization | Net Book Value | Net Book Value |
| Furniture and equipment | $ 37,384 | $ 32,015 | $ 5,369 | $ 3,118 |

## 7. Commitments

The Board has a commitment under an operating lease for a photocopier. Payments for the next two years are as follows:

2014 - $3,187; and 2015 - $1,859

## 8. Budget figures

The reconciliation between the Board's approved financial plan and the PSAB budget figures used in these statements is disclosed in the Schedule of Reconciliation of the Financial Plan to the Budget.

## 9. Financial instruments

The Board's financial instruments consist of cash and cash equivalents, receivables, investment and payables and accruals. The book value of cash and cash equivalents, receivables, payables and accruals approximate fair value due to their short term maturity date. The investment includes a non redeemable guaranteed investment certificate and interest in accrued as earned, therefore the carrying value of this investment approximate its fair value.

### Risks and concentrations

The Board is exposed to various risks through its financial instruments. The following analysis provides a measure of the Board's risk exposure and concentrations at December 31, 2013.

### Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Board is exposed to this risk mainly in respect of its payables and accruals in the amount of $23,409 (2012 - $27,557). The Board reduces its exposure to liquidity risk by ensuring that it documents when authorized payments become due. In the opinion of management the liquidity risk exposure to the Board is low and not material.

### 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 Board's main credit risk relates to its receivables of $23,632 (2012 - $22,781). The Board only receives levies, which are legislated by the Province, from one producer and in the opinion of management the credit risk exposure to the Board is low.

# Chicken Farmers of Newfoundland and Labrador
## Schedule of Expenses
December 31

| | 2013 | 2012 |
|---|---|---|
| | **Actual** | Actual |
| **Administration** | | |
| Depreciation | **$ 943** | $ 827 |
| Federation of Agriculture | **12,200** | 12,558 |
| Honorariums | **12,000** | 12,000 |
| Insurance | **1,639** | 1,674 |
| Interest and bank charges | **1,451** | 1,804 |
| Office and postage | **3,922** | 5,205 |
| Per diems | **14,350** | 15,875 |
| Professional fees | **15,252** | 29,038 |
| Rent | **3,003** | 2,836 |
| Telephone | **4,846** | 5,974 |
| Travel and meetings | **5,018** | 7,318 |
| Wages and benefits | **27,861** | 26,226 |
| | **$ 102,486** | $ 121,335 |
| **Regulation** | | |
| Levy – CFC | **$ 83,367** | $ 82,639 |
| Office and postage | **1,263** | 1,170 |
| Travel and meetings | **3,926** | 7,058 |
| Wages and benefits | **28,592** | 27,016 |
| | **$ 117,148** | $ 117,883 |
| **Promotion** | | |
| Donations | **$ -** | $ 595 |
| Office and postage | **573** | 500 |
| Promotion | **7,202** | 13,262 |
| Travel and meetings | **1,680** | 3,064 |
| Wages and benefits | **12,997** | 12,281 |
| | **$ 22,452** | $ 29,702 |
| **Facilitation** | | |
| Office and postage | **$ 764** | $ 691 |
| Travel and meetings | **2,440** | 4,067 |
| Wages and benefits | **17,330** | 16,374 |
| | **$ 20,534** | $ 21,132 |
| **Total expenses** | **$ 262,620** | $ 290,052 |

# Chicken Farmers of Newfoundland and Labrador

## Schedule of Reconciliation of the Financial Plan to the Budget

Year Ended December 31, 2013

| | Financial Plan | Adjustments | PSAB Budget |
|---|---|---|---|
| **Revenue** | | | |
| Producer levies | 277,500 | - | 277,500 |
| Interest income | 120 | - | 120 |
| | 277,620 | - | 277,620 |
| Less: | | | |
| Costs for Grant funded projects | (9,000) | - | (9,000) |
| **Net revenue** | $ 268,620 | $ - | $ 268,620 |
| **Operating expenses** | | | |
| Administration | $ 101,076 | $ - | $ 101,076 |
| Regulation | 118,087 | - | 118,087 |
| Promotion | 27,076 | - | 27,076 |
| Facilitation | 22,235 | 950 | 23,185 |
| Total expenses | $ 268,474 | $ 950 | $ 269,424 |
| **Surplus (deficit)** | $ 146 | $ (950) | $ (804) |

# College of the North Atlantic
# Financial Statements
# March 31, 2014

# Statement of responsibility

The accompanying financial statements are the responsibility of the management of the College of the North Atlantic (the "College") and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

In carrying out its responsibilities, management maintains appropriate systems of internal and administrative controls designed to provide reasonable assurance that transactions are executed in accordance with proper authorization, that assets are properly accounted for and safeguarded, and that financial information produced is relevant and reliable.

The Board of Governors met with management and its external auditors to review a draft of the financial statements and to discuss any significant financial reporting or internal control matters prior to their approval of the finalized financial statements.

Grant Thornton LLP as the College's appointed external auditors, have audited the financial statements. The auditor's report is addressed to the Board of Governors and appears on the following page. Their opinion is based upon an examination conducted in accordance with Canadian generally accepted auditing standards, performing such tests and other procedures as they consider necessary to obtain reasonable assurance that the financial statements are free of material misstatement and present fairly the financial position and results of the College in accordance with Canadian public sector accounting standards.

Board Chair

Vice President,
Finance and Administration

Grant Thornton

# Independent auditors' report

Grant Thornton LLP
Suite 300
15 International Place
St. John's, NL
A1A 0L4

T +1 709 778 8800
F +1 709 722 7892
www.GrantThornton.ca

To the Board of Governors of the College of the North Atlantic

We have audited the accompanying financial statements of College of the North Atlantic, which comprise the financial position as at March 31, 2014 and the results of operations, changes in net debt, and cash flows for the year ended March 31, 2014 and a summary of significant accounting policies and other explanatory information.

## Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

## Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the College's preparation and fair presentation of the 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 College'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 financial statements.

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

Grant Thornton

## Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of College of the North Atlantic as at March 31, 2014 and the results of its operations, changes in net debt, and its cash flows for the year ended March 31, 2014 in accordance with Canadian public sector accounting standards.

Grant Thornton LLP

St. John's, Canada

June 25, 2014 Chartered Accountants

# College of the North Atlantic
## Statement of Financial Position
**Year Ended March 31, 2014**

| | March 31 2014 | March 31 2013 |
|---|---|---|
| **Financial Assets** | | |
| Cash | $ 19,218,361 | $ 16,706,869 |
| Accounts receivable (Note 3) | 20,084,334 | 27,406,604 |
| Inventories for resale | 1,559,990 | 1,314,012 |
| Trust funds on deposit (Note 4) | 3,468,390 | 3,343,087 |
| | $ 44,331,075 | $ 48,770,572 |
| **Liabilities** | | |
| Accounts payable & accrued liabilities (Note 5) | $ 9,849,124 | $ 10,403,444 |
| Vacation pay accrual | 8,627,754 | 9,701,601 |
| Post-employment benefits (Note 6) | 14,485,040 | 14,604,528 |
| Compensated absences (Note 6) | 10,975,409 | 10,772,408 |
| Due to Qatar Campus (Note 7) | 10,795,613 | 10,670,319 |
| Deferred contributions - operating (Note 8) | 4,281,030 | 4,639,655 |
| Trust funds payable (Note 4) | 3,468,390 | 3,343,087 |
| | $ 62,482,360 | $ 64,135,042 |
| ***Net Debt*** | $ (18,151,285) | $ (15,364,470) |
| **Non-Financial Assets** | | |
| Tangible capital assets (Schedule 1) | $ 27,535,631 | $ 28,851,000 |
| Inventories held for use | 89,696 | 78,098 |
| Prepaid expenses | 1,643,061 | 1,440,084 |
| | 29,268,388 | 30,369,182 |
| ***Accumulated surplus*** | $ 11,117,103 | $ 15,004,712 |

Commitments (Note 9)
Contingent liabilities (Note 10)

Approved:

Board Chair ______________________

Board Member ______________________

See accompanying notes.

# College of the North Atlantic
## Statement of Operations
### Year Ended March 31, 2014

| | 2014 Budget (Note 14) | 2014 | 2013 |
|---|---|---|---|
| Revenue (Schedule 2) | | | |
| Grants and reimbursements | $ 63,620,240 | $ 63,214,706 | $ 91,103,258 |
| Subsidy | 17,200,000 | 20,543,046 | 21,207,000 |
| Tuition | 12,574,099 | 12,282,662 | 12,113,372 |
| Classroom/video rental | 15,000 | 15,000 | 20,000 |
| Interest | 200,000 | 281,304 | 181,344 |
| Fees | 650,271 | 695,832 | 666,106 |
| Apprenticeship | 4,156,463 | 5,637,926 | 5,662,188 |
| Bookstore | 2,722,500 | 2,719,547 | 2,814,605 |
| Corporate | 2,295,285 | 3,127,881 | 2,490,489 |
| Daycare | 487,445 | 514,956 | 495,512 |
| Equipment and materials | 1,682,359 | 1,610,863 | 1,578,216 |
| Food services | 1,202,000 | 1,210,258 | 1,192,535 |
| International | 1,060,976 | 1,205,215 | 1,037,635 |
| Parking | 7,750 | 4,800 | 7,719 |
| Residence | 339,700 | 337,060 | 319,318 |
| Special projects | 4,959,947 | 4,009,343 | 4,130,977 |
| Qatar project | 10,963,588 | 10,252,412 | 10,601,883 |
| Other | 469,135 | 653,952 | 589,676 |
| Total revenue | 124,606,758 | 128,316,763 | 156,211,833 |
| Expenditures (Schedules 3 to 15) | | | |
| Facilities | 4,789,204 | 4,988,239 | 4,959,076 |
| Administration | 17,119,478 | 16,203,946 | 15,775,912 |
| Instructional | 73,191,499 | 68,711,488 | 76,331,528 |
| Student services | 10,795,410 | 10,100,084 | 11,032,928 |
| Information technology | 8,045,916 | 5,512,634 | 6,823,838 |
| Resale | 5,030,869 | 5,153,639 | 5,372,142 |
| Apprenticeship | 4,148,852 | 4,385,707 | 4,100,978 |
| Continuing education | 728,809 | 724,425 | 783,937 |
| Contracts | 4,585,859 | 4,697,004 | 4,321,162 |
| International | 648,969 | 593,438 | 555,977 |
| Special projects | 4,261,366 | 3,274,245 | 3,761,559 |
| Qatar project | 2,134,519 | 1,675,457 | 2,164,353 |
| Total expenditure | 135,480,750 | 126,020,306 | 135,983,390 |
| Annual Surplus (Deficit) before adjustments: | (10,873,992) | 2,296,457 | 20,228,443 |
| Less adjustments for undernoted items: | | | |
| Amortization of tangible capital assets | 7,415,994 | 7,256,519 | 7,171,478 |
| Accrued post-employment benefits | 600,000 | (163,570) | 622,368 |
| Accrued compensated absences | 300,000 | 203,001 | 251,506 |
| Accrued annual leave | 300,000 | (1,111,884) | 68,818 |
| Total adjustment for above noted items | 8,615,994 | 6,184,066 | 8,114,170 |
| Annual Surplus (Deficit) | (19,489,986) | (3,887,609) | 12,114,273 |
| Accumulated surplus, beginning of year | 15,004,712 | 15,004,712 | 2,890,439 |
| Accumulated surplus, end of year | $ (4,485,274) | $ 11,117,103 | $ 15,004,712 |

See accompanying notes.

# College of the North Atlantic
## Statement of Change in Net Financial Assets (Debt)
### Year Ended March 31, 2014

| | 2014 Budget (Note 14) | 2014 Total | 2013 Total |
|---|---|---|---|
| Annual surplus (deficit) | $ (19,489,986) | $ (3,887,609) | $ 12,114,273 |
| Changes in tangible capital assets | | | |
| Acquisition of tangible capital assets | (7,383,013) | (6,006,311) | (7,992,545) |
| Write-downs on tangible capital assets | - | 23,800 | |
| (Gain) loss on sale of tangible capital assets | - | 41,361 | 2,371 |
| Amortization of tangible capital assets | 7,415,994 | 7,256,519 | 7,171,478 |
| Increase (decrease) in net book value of tangible capital assets | 32,981 | 1,315,369 | (818,696) |
| Changes in other non-financial assets | | | |
| Acquisition of prepaid expenses (net of usage) | - | (202,977) | 141,213 |
| Acquisition of inventory of supplies (net of usage) | - | (11,598) | (16,698) |
| Increase (Decrease) in other non-financial assets | - | (214,575) | 124,515 |
| (Increase) decrease in net financial assets (debt) | (19,457,005) | (2,786,815) | 11,420,092 |
| Net financial assets (debt) at beginning of year | (15,364,470) | (15,364,470) | (26,784,562) |
| Net financial assets (debt) at end of year | $ (34,821,475) | $ (18,151,285) | $ (15,364,470) |

See accompanying notes.

# College of the North Atlantic
## Statement of Cash Flow
**Year Ended March 31, 2014**

| | 2014 | 2013 |
|---|---|---|
| **Operating** | | |
| Annual surplus (deficit) | **$ (3,887,609)** | $ 12,114,273 |
| Add (deduct) non-cash items: | | |
| Amortization of capital assets | **7,256,519** | 7,171,478 |
| Accrued post-employment benefits - increase (decrease) | **(119,488)** | 672,062 |
| Accrued compensated absences - increase (decrease) | **203,001** | 251,506 |
| | **3,452,423** | 20,209,319 |
| Changes in: | | |
| Receivables | **7,322,270** | (14,903,089) |
| Inventory | **(257,576)** | (5,506) |
| Prepaid expenses | **(202,977)** | 141,213 |
| Deferred contributions - operating | **(358,625)** | 211,618 |
| Payables and accruals | **(1,628,167)** | (818,940) |
| Due to Qatar campus | **125,294** | 8,527,439 |
| Net cash provided by operating transactions | **8,452,642** | 13,362,054 |
| **Capital** | | |
| Acquisitions of tangible capital assets | **(6,006,311)** | (7,992,545) |
| Write-downs on tangible capital assets | **23,800** | |
| Proceeds on sale of tangible capital assets | **41,361** | 2,371 |
| Net cash applied to capital transactions | **(5,941,150)** | (7,990,174) |
| Net cash provided (applied) | **2,511,492** | 5,371,880 |
| Cash, beginning of year | **16,706,869** | 11,334,989 |
| Cash, ending of year | **$ 19,218,361** | $ 16,706,869 |

See accompanying notes.

# College of the North Atlantic
## Notes to Financial Statements
**For the twelve months ending March 31, 2014**

**1 Nature of operations**

The College of the North Atlantic (the College) operates under the authority of the College Act, 1996, Province of Newfoundland and Labrador. In accordance with Section 6 of the College Act, 1996, the College is a statutory crown corporation and as such is not subject to either Federal or Provincial income taxes and is exempt from Municipal taxes. The College is Newfoundland and Labrador's public college. The College is committed to providing accessible, responsive, quality learning opportunities which prepare people to become self-sufficient contributors to social and economic development both in a provincial and global context.

**2 Summary of significant accounting policies**

The financial statements of the College have been prepared within the framework of Canadian generally accepted accounting principles as recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants and reflect the following significant accounting policies:

(a) *Revenue recognition*

Certain amounts are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the delivery of specific services and transactions. These amounts are recognized as revenue in the fiscal year the related expenses are incurred, services are performed or when stipulations are met. Federal and provincial revenues for operating and capital purposes are recognized in the period in which all eligibility criteria or stipulations have been met. When revenue is received without eligibility criteria or stipulations, it is recognized when the transfer from the applicable Government is authorized.

Tuition fees and contract training revenues are recognized as income to the extent that the related courses and services are provided within the fiscal year of the college. Ancillary revenues including parking, bookstore, residence and other sundry revenues are recognized when products are delivered or services are provided to the student or client, the sales price is fixed and determinable, and collection is reasonably assured.

Management fees for operating and administering a College in the State of Qatar are recognized as earned.

(b) *Inventories for resale*

Inventory which consists mainly of books and food supplies is recorded at the lower of cost or net realizable value. The amount of any write-downs of inventories to net realizable value and all losses of inventories are recognized as an expense in the period the write-down or loss occurred. For the year ended March 31, 2014, the write-down of inventory was $81,982 (2013 - $99,555).

(c) *Tangible Capital Assets*

Tangible capital assets recorded prior to the April 1, 1997 amalgamation of the former Colleges are recorded at either cost, nominal, or approximate fair value. Tangible capital assets acquired after April 1, 1997 are recorded at cost.

Amortization is recorded on a straight line basis using the following estimated useful lives:

| | |
|---|---|
| Artwork | No amortization |
| Capital improvements | 10 years |
| ERP - PeopleSoft | 10 years |
| Computer and peripherals | 3 years |
| Furnishings | 5 years |
| Instructional equipment | 5 years |
| Other electronic equipment | 5 years |
| Software | 3 years |
| Vehicles | 5 years |

(c) *Tangible Capital Assets (cont'd)*

One half year's amortization is taken in the year of acquisition. No amortization is recorded for assets under development.

The value of donated artwork has not been recorded in these financial statements.
An accurate valuation of donated artwork has not been obtained at March 31, 2014.

Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments that extend the estimated life of an asset are capitalized. When a capital asset no longer contributes to the college's ability to provide service, and the value of future economic benefits associated with the capital asset is less than the net book value, the carrying value of the capital asset is reduced to reflect the decline in the asset's value.

The land and buildings being used by the College, with the exception of some rental property, are the properties of the Province of Newfoundland and Labrador. Expenditures for repairs and maintenance of these buildings, paid by the Province, are not recorded in the financial statements of the College.

(d) *Post-employment benefits and compensated absences*

The College provides post-employment benefits and compensated absences to certain employment groups. These benefits include severance and non-vesting sick leave. The College has adopted the following policies with respect to accounting for these employee benefits:

(i) Upon termination, retirement or death, the organization provides their employees, with at least nine years of service with severance benefits equal to one week of pay per year of services up to a maximum of 20 weeks. An actuarially determined accrued liability for severance has been recorded in the statements. This liability has been determined using management's best estimate of employee retention, salary escalation, long term inflation and discount rates.

(ii) The College provides their employees with sick leave benefits that accumulate but do not vest. The benefits provided to employees vary based upon classification within the various negotiated agreements. An actuarially determined accrued liability has been recorded on the statements for non-vesting sick leave benefits. The cost of non-vesting sick leave benefits are actuarially determined using management's best estimate of salary escalation, accumulated sick days at retirement, long term inflation rates and discount rates.

(e) *Vacation pay liability*

The College recognizes vacation pay as an expense on the accrual basis.

(f) *Foreign Currencies*

Transactions in foreign currencies are recorded in Canadian dollars at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the Statement of Financial Position date. Exchange gains or losses arising from the translations are included in the Statement of Operations in the amount of a $ 14,632 (2013 - $173 loss).

(g) *Financial instruments*

The College classifies its financial instruments as either fair value or amortized cost. The College's accounting policy for each category is as follows:

*Fair value*
This category includes cash and trust accounts and are classified as held for trading.

Transaction costs related to financial instruments in the fair value category are expensed as incurred.

*Amortized cost*
This category includes accounts receivable and accounts payable and accrued liabilities. They are initially recognized at cost and subsequently carried at amortized cost using the effective interest rate, less any impairment losses on financial assets.

Transaction costs related to financial instruments in the amortized cost category are added to the carrying value of the instrument.

Write-downs on financial assets in the amortized cost category are recognized when the amount of a loss is known with sufficient precision, and there is no realistic prospect of recovery. Financial assets are then written down to the net recoverable value with the write downs being recognized in the statement of operations.

There were no embedded derivatives in any contracts that require special accounting treatment.

(h) *Pensions*

College staff are subject to either the Public Service Pension Plan (PSPP), or the Government Money Purchase Pension Plan (GMPP).

The primary plan, PSPP, is a multi-employer plan and a defined benefit pension plan. Staff contributions are matched by the College and then remitted to the province of Newfoundland and Labrador Pooled Pension Fund from which pensions will be paid to employees when they retire. The costs of the multi-employer plan plan are the College's contributions to the plan in the period. PSPP members must have at least 5 years of pensionable service to obtain a pension benefit. Normal retirement age under the Plan is 65 however early retirement options are available. Members of the PPSP are required to make contributions toward the funding of their pension benefits as follows:

(i) 8.6% of earnings up to the Year's Basic Exemption, the portion of earnings upon which no CPP contributions are required;
(ii) 6.8% of earnings in excess of the Year's Basic Exemption up to and including the Year's Maximum Pensionable Earnings ("YMPE"); and
(iii) 8.6% of earnings in excess of the YMPE.

Pensions paid under the PSPP are indexed annually. Indexing is applied at the rate of 60% of the increase in the Consumer Price Index (CPI), with the increase in the CPI capped at 2%. Indexing applies to benefits of pensioners who have attained age 65 prior to October 1 of each year.

The lifetime pension benefit is determined as 1.4% of the best five year average salary (up to the three year average YMPE) multiplied by the years of pensionable service, plus 2% of the best five year average salary (in excess of the average YMPE) multiplied by the years of pensionable service.

Staff shall participate in the GMPP only if they are ineligible for the PSPP. Payments are made to a private investment firm from which pensions will be paid to employees when they retire. The GMPP is a defined contribution plan.

The annual contributions for pensions are recognized as an expenditure in the accounts on a current basis.

During the year 2014 the College contributed $6,408,248 to the PSPP and $791,703 to the GMPP. In 2013 the College contributed $6,963,217 to the PSPP and $762,720 to the GMPP.

(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 tangible capital assets, accrued severance, accrued sick leave, impairment of assets and allowance for doubtful accounts.

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.

(j) *Inventories held for use*

Inventories held for use include fuel and supplies for the heavy equipment program, and are recorded at the lower of historical cost and replacement cost.

## 3 Receivables

| | **2014** | 2013 |
|---|---|---|
| Government of Newfoundland | **$ 6,013,131** | $ 6,978,352 |
| LMDA Subsidy | **10,409,813** | 15,407,255 |
| Students | **843,705** | 810,233 |
| Government agencies and other | **3,113,776** | 4,472,712 |
| | **20,380,425** | 27,668,552 |
| Less allowance for doubtful accounts | **296,091** | 261,948 |
| | **$ 20,084,334** | $ 27,406,604 |

## 4 Trust accounts

Trust accounts represent donations and related interest restricted for scholarships, awards and other specified purposes. Changes in the trust account balance are as follows:

| | **2014** | 2013 |
|---|---|---|
| Opening balance | **$ 3,343,087** | $ 3,299,308 |
| Net deposits and payments | **53,051** | (29,651) |
| Interest | **72,252** | 73,430 |
| Closing balance | **$ 3,468,390** | $ 3,343,087 |

## College of the North Atlantic
## Notes to Financial Statements
**For the twelve months ending March 31, 2014**

**5 Accounts payables & accrued liabilities**

| | 2014 | 2013 |
|---|---|---|
| Trade liabilities | **$ 3,667,476** | $ 3,334,190 |
| Accrued wages and benefits | **4,976,569** | 4,171,435 |
| End of service compensation | **44,697** | 1,519,760 |
| Other | **1,160,382** | 1,378,059 |
| | **$ 9,849,124** | $ 10,403,444 |

**6 Post-employment benefits and compensated absences**

The actuarial valuation date for sick leave accrual was March 31, 2012 and has been extrapolated for March 31, 2013 and March 31, 2014. The actuarial valuation date for severance pay accrual was March 31, 2013 and has been extrapolated for March 31, 2014. The assumptions are based on future events. The economic assumptions used in the valuation are the College's best estimates of expected rates as follows:

| | 2014 | 2013 |
|---|---|---|
| Wages and salary escalation | **4.00%** | 4.00% |
| Discount rate | **3.90%** | 3.60% |

The sick leave accrual as at March 31 are as follows:

| | 2014 | 2013 |
|---|---|---|
| Accrued sick pay benefit obligation beginning of year | **$ 11,394,351** | $ 11,016,186 |
| Current period benefit cost | **1,208,060** | 1,159,429 |
| Benefit payments | **(1,461,467)** | (1,366,165) |
| Interest on the accrued benefit sick leave obligations | **405,635** | 420,143 |
| Actuarial (gains) / losses | **(356,575)** | 164,759 |
| Accrued sick pay benefit obligation end of year | **11,190,004** | 11,394,352 |
| Unamortized actuarial experience loss | **214,595** | 621,944 |
| Accrued benefit liability, end of year | **$ 10,975,409** | $ 10,772,408 |

The severance pay accrual as at March 31 are as follows:

| | 2014 | 2013 |
|---|---|---|
| Accrued severance benefit obligation beginning of year | **$ 15,820,544** | $ 14,886,062 |
| Current period benefit cost | **1,226,444** | 1,217,772 |
| Benefit payments | **(2,000,716)** | (1,192,660) |
| Interest on the accrued benefit severance obligation | **555,603** | 573,597 |
| Actuarial (gains) / losses | **(90,697)** | 335,773 |
| Accrued severance benefit obligation end of year | **15,511,178** | 15,820,544 |
| Unamortized actuarial experience loss | **1,026,138** | 1,216,016 |
| Accrued benefit liability, end of year | **$ 14,485,040** | $ 14,604,528 |
| **Total post-employment benefits and compensated absences end of year** | **$ 25,460,449** | $ 25,376,936 |

# College of the North Atlantic
## Notes to Financial Statements
**For the twelve months ending March 31, 2014**

**7 Comprehensive Agreement with the State of Qatar**

The College has a comprehensive agreement with the State of Qatar to establish, operate and administer a College of Applied Arts and Technology in Doha, Qatar for a period, September 30, 2001 to August 31, 2012. It was extended to August 31, 2013, and subsequently further extended to August 31, 2016. The agreement is funded by the State of Qatar. For its services, the College is paid an annual Management Fee of 10% of base salaries. The College receives quarterly advances to cover cash flow requirements.

**Due to Qatar**

| | | **2014** | | 2013 |
|---|---|---|---|---|
| Cash on Deposit | **$** | **11,917,499** | $ | 11,567,170 |
| Payables (accruals) | | **(1,121,886)** | | (896,851) |
| Net Liability | **$** | **10,795,613** | $ | 10,670,319 |

**Results of Operations**

| | | **2014** | | 2013 |
|---|---|---|---|---|
| Gross Proceeds | **$** | **10,252,412** | $ | 10,601,883 |
| Management Costs | | **(1,675,457)** | | (2,164,353) |
| Net Proceeds | **$** | **8,576,955** | $ | 8,437,530 |

**8 Deferred contributions - operating**

Deferred contributions represent unspent externally restricted funding that has been received and relates to a subsequent year. Changes in the contributions deferred to future periods are as follows:

| | | **2014** | | 2013 |
|---|---|---|---|---|
| Balance, beginning of year | **$** | **4,639,655** | $ | 4,428,037 |
| Less amounts recognized as revenue in the year | | **(22,573,024)** | | (21,670,007) |
| Add amounts received during the year | | **22,214,399** | | 21,881,625 |
| Balance, end of year | **$** | **4,281,030** | $ | 4,639,655 |

Deferred contributions -operating are comprised of:

| | | **2014** | | 2013 |
|---|---|---|---|---|
| Residence and program fees | **$** | **91,727** | $ | 95,106 |
| Tuition | | **1,093,873** | | 1,122,726 |
| Contract training and special projects | | **3,095,430** | | 3,421,823 |
| | **$** | **4,281,030** | $ | 4,639,655 |

**9 Commitments**

Lease Commitment

The College leases some equipment and facilities under long-term operating leases. Lease payments for the next five years, committed under operating leases extending beyond one year, are as follows:

| | |
|---|---|
| 2014-2015 | 977,018 |
| 2015-2016 | 735,719 |
| 2016-2017 | 662,374 |
| 2017-2018 | 252,849 |
| 2018-2019 | 18,655 |

**10 Contingent liabilities**

(a) The College has received notices of claim for damages. No provision has been made for these claims because management does not expect the College to incur any material liability, or because an estimate of loss, if any, is not determinable at this time.

(b) A compliance audit on compensation and billings of the Comprehensive Agreement with the State of Qatar as required per section 4.6 is currently in progress, therefore, the results are unknown at this time. The College is currently not aware of any material findings or outcomes of this compliance audit.

**11 Financial instruments risk management**

**Classification**

The following table provides cost and fair value information of financial instruments by category.

| | 2014 | | |
|---|---|---|---|
| | **Fair Value** | **Amortized Cost** | **Total** |
| Cash | $ 19,218,361 | $ | $ 19,218,361 |
| Trust funds on deposit | 3,468,390 | | 3,468,390 |
| Accounts receivable | | 20,084,334 | 20,084,334 |
| | $ 22,686,751 | $ 20,084,334 | $ 42,771,085 |
| Accounts payable and accrued liabilities | $ | 9,849,124 | 9,849,124 |
| Vacation pay accrual | | 8,627,754 | 8,627,754 |
| Due to Qatar Campus | | 10,795,613 | 10,795,613 |
| Trust funds payable | | 3,468,390 | 3,468,390 |
| | $ - | $ 32,740,881 | $ 32,740,881 |

**Fair value hierarchy**

The College uses the following hierarchy for determining and disclosing the measurement subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degrees to which the fair value is observable:

a) Level 1 fair value measurements are those derived from quote prices (unadjusted) in active markets for identical assets or liabilities using the last bid price;

b) Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable from the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) and;

c) Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Cash and cash equivalents and trust funds on deposit are classified in the level 1 hierarchy.

**12 Financial instruments risk management (cont'd)**

**Risk management**

*a) Credit risk*

Credit risk is the risk of financial loss to the College if a debtor fails to make payments of interest and principal when due. The College is exposed to this risk relating to its cash and accounts receivable. The College holds its cash accounts with federally regulated chartered banks who are insured by the Canadian Deposit Insurance Corporation. In the event of a default, the College's cash accounts are insured up to $300,000 (2012 - $300,000).

Accounts receivable from federal and provincial governments pose minimal credit risk. Credit risk from accounts receivable due from students is mitigated by financial approval processes before a student is enrolled. Miscellaneous receivables from various other corporate entities are monitored on a regular basis.

The College measures its exposure to credit risk based on how long the amounts have been outstanding. An impairment allowance is set up based on the College's historical experience regarding collections. The amounts outstanding at year end were as follows:

| | Total | Current | 30-60 days | > 61 days |
|---|---|---|---|---|
| Government receivables | $ 16,553,073 | $ 16,158,194 | 158,028 | 236,851 |
| Student receivables | 843,705 | 56,292 | (48,634) | 836,047 |
| Other receivables | 2,983,647 | 2,383,874 | 222,398 | 377,375 |
| Gross receivables | 20,380,425 | 18,598,360 | 331,792 | 1,450,273 |
| Less: impairment allowances | (296,091) | | | (296,091) |
| Net receivables | $ 20,084,334 | $ 18,598,360 | $ 331,792 | $ 1,154,182 |

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

*b) Market risk*

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of market factors. Market factors include three types of risk: currency risk, interest rate risk, equity risk.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

*(i) Currency Risk*

Currency risk relates to the College operating in different currencies and converting non-Canadian earnings at different points in time when adverse changes in foreign currency rates occur.
During the year the College had the following foreign currency transactions:

| | 2014 | 2013 |
|---|---|---|
| **Receipts** | | |
| US dollar (USD) | 372,167 | 688,776 |
| **Payment** | | |
| US dollar (USD) | 831,614 | 1,321,899 |
| Qatari riyal (QR) | 527,575 | 748,600 |
| Euros (EUR) | 93,360 | 83,012 |

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

# College of the North Atlantic
## Notes to Financial Statements
**For the twelve months ending March 31, 2014**

**12 Financial instruments risk management (cont'd)**

*ii) Interest rate risk*

Interest rate risk is the potential for financial loss caused by fluctuations in fair value or future cash flows of financial instruments because of changes in market interest rates.

Management believes that the interest rate risk of the College is not material.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

*iii) Equity risk*

Equity risk is the uncertainty associated with the valuation of assets arising from changes in equity markets.

Management believes that the equity risk of the College is not material.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

*c) Liquidity risk*

Liquidity risk is the risk that the College will not be able to meet all cash outflow obligations as they come due. The College mitigates this risk by monitoring cash activities and expected outflows through extensive budgeting and maintaining investments that may be converted to cash in the nearest term if unexpected cash outflows arise. The following table sets out the contractual maturities (representing undiscounted contractual cash-flows of financial liabilities):

| | **2014** | | |
|---|---|---|---|
| | Within 6 Months | 6 Months to 1 year | > 1 year |
| Accounts payable and accrued liabilities | 8,227,103 | 1,377,324 | 244,697 |
| | $ 8,227,103 | $ 1,377,324 | $ 244,697 |

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

**13 Comparative figures**

Certain of the 2013 comparative figures have been reclassified to conform to the financial presentation adopted in 2014.

**14 Budget**

The budget amounts included in these financial statements are the amounts approved by The College's board for the current fiscal year. The budget would include all known service and program changes and enhancements for the coming year. Additional changes to services and programs that are initiated during the year would be funded through budget adjustments and have been adjusted in the opening budget accordingly.

# College of the North Atlantic
## Notes to Financial Statements
**For the twelve months ending March 31, 2014**

### 15 Related party transactions

The College had the following transactions with the government and other government controlled organizations:

| | 2014 | 2013 |
|---|---|---|
| Grants from the province | 90,523,652 | 118,376,437 |
| Transfer from Child, Youth & Family Services | 250,525 | 274,601 |
| Transfer from Dept of Natural Resources | - | 161,635 |
| Transfer from Dept of Justice | 214,900 | - |
| Transfer from IBRD | 294,957 | 719,765 |
| Transfer from Research Development Council | 202,534 | 167,272 |
| Transfer from NL Hydro | 120,068 | - |
| Transfer from Memorial University | 127,274 | 250,644 |
| Transfer to Memorial University | 223,704 | 177,350 |

**College of the North Atlantic**
**Tangible Capital Assets**
**March 31, 2014**

| | Artwork | Capital improvements | Computer and peripherals | Furnishings | Instructional equipment | Other electronic equipment | Software | ERP - Peoplesoft | Vehicles | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ |
| **Cost** | | | | | | | | | | |
| At March 31, 2013 | 5,500 | 27,126,134 | 6,439,600 | 690,838 | 41,452,463 | 835,779 | 635,261 | 5,446,334 | 9,382,104 | 92,014,013 |
| Additions | - | 2,033,499 | 157,381 | 3,509 | 1,821,429 | 53,378 | 29,791 | 1,332,958 | 574,366 | 6,006,311 |
| Disposals | - | 118,175 | 281,729 | 5,798 | 671,086 | 8,839 | 7,308 | - | - | 1,092,935 |
| Other Adjustments | | 47,137 | 9,802 | (32,636) | (880,212) | (33,010) | (1,000) | | 889,919 | - |
| At March 31, 2014 | 5,500 | 28,994,321 | 6,305,450 | 721,185 | 43,483,018 | 913,328 | 658,744 | 6,779,292 | 9,066,551 | 96,927,389 |
| **Accumulated Amortization** | | | | | | | | | | |
| At March 31, 2013 | - | 11,017,886 | 5,920,320 | 625,524 | 34,214,419 | 713,796 | 630,349 | 3,247,887 | 6,792,832 | 63,163,013 |
| Amortization | - | 2,367,958 | 339,450 | 25,542 | 2,966,623 | 40,177 | 8,240 | 496,443 | 1,012,086 | 7,256,519 |
| Disposals | - | 76,814 | 281,729 | 5,798 | 671,086 | 8,839 | 7,308 | - | - | 1,051,574 |
| Other Adjustments | | 21,212 | 24,446 | (37,764) | (882,675) | (37,939) | (1,000) | | 889,920 | (23,800) |
| At March 31, 2014 | - | 13,287,818 | 5,953,595 | 683,032 | 37,392,631 | 783,073 | 632,281 | 3,744,330 | 6,914,998 | 69,391,758 |
| **Net Book Value:** | | | | | | | | | | |
| At March 31, 2013 | 5,500 | 16,108,248 | 519,280 | 65,314 | 7,238,044 | 121,983 | 4,912 | 2,198,447 | 2,589,272 | 28,851,000 |
| At March 31, 2014 | 5,500 | 15,706,503 | 351,855 | 38,153 | 6,090,387 | 130,255 | 26,463 | 3,034,962 | 2,151,553 | 27,535,631 |

Cost at March 31, 2014 includes work in progress as follows:

| | | |
|---|---|---|
| ERP - PeopleSoft | $ | 746,070 |

# College of the North Atlantic
## Revenue
### Year Ended March 31, 2014

| | 2014 Budget (Note 14) | 2014 | 2013 |
|---|---|---|---|
| Provincial Government Grants | | | |
| Grant-in-aid | $ **58,169,400** | $ **59,066,364** | $ 84,779,188 |
| Provincial capital grant | **4,850,840** | **3,548,342** | 5,724,070 |
| Other grants | **600,000** | **600,000** | 600,000 |
| | **63,620,240** | **63,214,706** | 91,103,258 |
| Facilities | | | |
| Classroom/video rental | **15,000** | **15,000** | 20,000 |
| Gain on disposal of capital assets | **27,000** | **39,603** | 13,047 |
| Parking | **7,750** | **4,800** | 7,719 |
| | **49,750** | **59,403** | 40,766 |
| Administration | | | |
| Interest | **200,000** | **281,304** | 181,344 |
| Other | **30,582** | **66,152** | 40,525 |
| | **230,582** | **347,456** | 221,869 |
| Instructional | | | |
| Tuition | **8,821,297** | **8,766,433** | 8,921,064 |
| Equipment and materials | **1,682,359** | **1,610,863** | 1,578,216 |
| Subsidy | **17,200,000** | **20,543,046** | 21,207,000 |
| Daycare | **487,445** | **514,956** | 495,512 |
| Other | **325,547** | **464,570** | 457,370 |
| | **28,516,648** | **31,899,868** | 32,659,162 |
| Student services | | | |
| Application fee | **278,099** | **320,670** | 281,148 |
| Registration fee | **372,172** | **375,162** | 384,958 |
| Other | **86,006** | **60,031** | 59,312 |
| | **736,277** | **755,863** | 725,418 |
| Resale | | | |
| Bookstore | **2,722,500** | **2,719,547** | 2,814,605 |
| Food services | **1,202,000** | **1,210,258** | 1,192,535 |
| Residence | **339,700** | **337,060** | 319,318 |
| Other | **-** | **839** | 2,805 |
| | **4,264,200** | **4,267,704** | 4,329,263 |
| Apprenticeship | | | |
| Apprenticeship | **4,156,463** | **5,637,926** | 5,661,553 |
| | **4,156,463** | **5,637,926** | 5,661,553 |

# College of the North Atlantic
## Revenue
### Year Ended March 31, 2014

| | 2014 Budget (Note 14) | 2014 | 2013 |
|---|---|---|---|
| Continuing education | | | |
| Tuition | **845,089** | **1,025,749** | 1,107,434 |
| Other | **-** | **22,757** | 16,617 |
| | **845,089** | **1,048,506** | 1,124,051 |
| Contracts | | | |
| Tuition | **2,907,713** | **2,490,480** | 2,084,874 |
| Apprenticeship/Post Journey | **-** | **-** | 635 |
| Corporate | **2,295,285** | **3,127,881** | 2,490,489 |
| | **5,202,998** | **5,618,361** | 4,575,998 |
| International | | | |
| International | **1,060,976** | **1,205,215** | 1,037,635 |
| | **1,060,976** | **1,205,215** | 1,037,635 |
| Special projects | | | |
| Special projects | **4,959,947** | **4,009,343** | 4,130,977 |
| | **4,959,947** | **4,009,343** | 4,130,977 |
| Qatar Project | | | |
| Management fee | **10,763,588** | **10,148,688** | 10,286,245 |
| Other | **200,000** | **103,724** | 315,638 |
| | **10,963,588** | **10,252,412** | 10,601,883 |
| | **$ 124,606,758** | **$ 128,316,763** | $ 156,211,833 |

# College of the North Atlantic
## Summary of Facilities Expenditures
### Year Ended March 31, 2014

| | 2014 Budget (Note 14) | 2014 | 2013 |
|---|---|---|---|
| Salaries and benefits | $ 1,389,551 | $ 1,535,791 | $ 1,584,973 |
| Professional development | 1,714 | - | - |
| Professional fees | 6,600 | 1,499 | 15,121 |
| Travel | 11,124 | 10,809 | 3,610 |
| Insurance | 325,000 | 265,719 | 305,423 |
| Photocopying/printing | 350 | 3,374 | 1,142 |
| Office related supplies | 2,750 | 13,858 | 6,968 |
| Freight and customs | 2,500 | 42 | 82 |
| Telephone | 4,970 | 5,059 | 7,309 |
| Utilities | 1,602,100 | 1,671,547 | 1,545,051 |
| Repairs and maintenance | 881,655 | 955,245 | 984,741 |
| Vehicle operations | 185,925 | 149,660 | 162,576 |
| Equipment rentals | 11,600 | 7,348 | 7,931 |
| Facilities rentals | 169,718 | 169,718 | 193,722 |
| Protective clothing | 12,200 | 11,791 | 15,411 |
| Assets - loss | - | 65,161 | 2,082 |
| Computer supplies | 500 | 151 | 2,726 |
| Contracted services | 68,000 | 71,229 | 73,273 |
| Student related | - | 884 | 839 |
| Minor equipment and tools | 3,778 | 6,690 | 6,268 |
| Minor computer equipment | 2,000 | - | - |
| Materials and supplies | 107,169 | 42,664 | 39,828 |
| | $ 4,789,204 | $ 4,988,239 | $ 4,959,076 |

# College of the North Atlantic
## Summary of Administration Expenditures
### Year Ended March 31, 2014

| | 2014 Budget (Note 14) | 2014 | 2013 |
|---|---|---|---|
| Salaries and benefits | **$ 12,195,546** | **$ 12,812,454** | $ 12,126,778 |
| Professional development | **172,323** | **43,479** | 118,632 |
| Employee recognition and wellness | **32,020** | **24,872** | 24,698 |
| Professional fees | **1,229,990** | **702,144** | 392,903 |
| Travel | **473,784** | **378,941** | 361,390 |
| Recruitment and relocation | **136,341** | **63,828** | 263,962 |
| Insurance | **500** | **1,681** | - |
| Bank charges | **182,000** | **186,122** | 178,577 |
| Photocopying/printing | **224,392** | **166,435** | 192,654 |
| Office related supplies | **411,293** | **378,090** | 398,719 |
| Membership fees | **127,170** | **48,084** | 111,884 |
| General advertising | **283,110** | **95,775** | 127,221 |
| Doubtful receivables | **65,000** | **78,230** | 48,490 |
| Freight and customs | **129,418** | **82,337** | 95,443 |
| Telephone | **688,047** | **663,080** | 670,966 |
| Utilities | **4,200** | **5,596** | 6,478 |
| Repairs and maintenance | **76,820** | **78,007** | 110,479 |
| Vehicle operations | **200** | **1,318** | 8,028 |
| Equipment rentals | **40,099** | **9,251** | 14,575 |
| Facilities rentals | **37,488** | **35,088** | 35,788 |
| Protective clothing | **8,250** | **6,339** | 13,690 |
| Food cost | **-** | **104** | 3,408 |
| Laundry and drycleaning | **-** | **-** | 564 |
| Computer supplies | **73,916** | **45,523** | 66,270 |
| Contracted Services | **500** | **726** | 9,059 |
| Educational materials | **21,500** | **4,190** | 11,296 |
| Student related | **600** | **3,544** | 8,614 |
| Minor equipment and tools | **91,059** | **40,474** | 73,441 |
| Minor computer equipment | **82,111** | **62,677** | 44,514 |
| Materials and supplies | **331,801** | **185,557** | 257,391 |
| | **$ 17,119,478** | **$ 16,203,946** | $ 15,775,912 |

# College of the North Atlantic
## Summary of Instructional Expenditures
### Year Ended March 31, 2014

| | 2014 Budget (Note 14) | 2014 | 2013 |
|---|---|---|---|
| Salaries and benefits | $ **65,534,149** | $ **63,874,091** | $ 71,073,417 |
| Professional development | **362,964** | **130,972** | 145,189 |
| Employee recognition and wellness | **165** | **415** | 350 |
| Professional fees | **186,888** | **140,466** | 94,730 |
| Travel | **408,917** | **456,296** | 471,176 |
| Recruitment and relocation | **21,250** | **68,806** | 39,669 |
| Insurance | **1,500** | **-** | - |
| Photocopying/printing | **178,965** | **185,396** | 219,554 |
| Office related supplies | **53,590** | **42,204** | 43,595 |
| Membership fees | **25,718** | **13,367** | 26,245 |
| General advertising | **28,137** | **37,112** | 66,447 |
| Freight and customs | **56,308** | **15,212** | 23,616 |
| Telephone | **19,465** | **20,305** | 22,851 |
| Utilities | **6,680** | **7,811** | 3,239 |
| Repairs and maintenance | **121,485** | **195,870** | 185,406 |
| Vehicle operations | **506,167** | **357,314** | 399,078 |
| Equipment rentals | **52,852** | **45,879** | 35,050 |
| Facilities rentals | **72,924** | **63,326** | 153,395 |
| Protective clothing | **36,264** | **25,252** | 30,996 |
| Food cost | **122,816** | **134,851** | 94,552 |
| Laundry and drycleaning | **5,790** | **4,187** | 4,769 |
| Textbooks and supplies | **1,100** | - | - |
| Computer supplies | **154,370** | **158,254** | 233,967 |
| Contracted services | **49,605** | **82,287** | 152,216 |
| Educational materials | **143,707** | **132,303** | 84,829 |
| Daycare operations | **109,455** | **72,493** | 76,910 |
| Student related | **258,801** | **253,881** | 332,852 |
| Minor equipment and tools | **423,089** | **346,854** | 440,733 |
| Minor computer equipment | **149,170** | **198,655** | 162,511 |
| Materials and supplies | **4,099,208** | **1,647,629** | 1,714,186 |
| | $ **73,191,499** | $ **68,711,488** | $ 76,331,528 |

# College of the North Atlantic
## Summary of Student Services Expenditures
### Year Ended March 31, 2014

| | 2014 Budget (Note 14) | 2014 | 2013 |
|---|---|---|---|
| Salaries and benefits | $ 9,342,294 | $ 9,128,447 | $ 9,618,875 |
| Professional development | 27,084 | 27,788 | 10,953 |
| Employee recognition and wellness | 110 | - | 105 |
| Professional fees | 9,000 | 7,172 | 8,227 |
| Travel | 124,817 | 90,788 | 113,487 |
| Recruitment and relocation | - | - | 569 |
| Insurance | 16,400 | 10,500 | 7,500 |
| Photocopying/printing | 182,391 | 91,229 | 140,607 |
| Office related supplies | 62,859 | 57,383 | 68,302 |
| Membership fees | 4,050 | 3,470 | 5,050 |
| General advertising | 392,069 | 277,763 | 390,259 |
| Freight and customs | 19,935 | 4,828 | 7,211 |
| Telephone | 1,650 | 4,431 | 6,661 |
| Utilities | - | 613 | 415 |
| Repairs and maintenance | 15,750 | 17,834 | 5,838 |
| Vehicle operations | - | - | 115 |
| Equipment rentals | - | 1,140 | - |
| Facilities rentals | 1,075 | 152 | 521 |
| Protective clothing | 100 | - | 1,159 |
| Food cost | - | 154 | 518 |
| Laundry and drycleaning | 3,788 | 2,001 | 3,767 |
| Computer supplies | 9,631 | 12,291 | 18,667 |
| Contracted services | 112,875 | 428 | 116,245 |
| Educational materials | 243,949 | 169,363 | 258,848 |
| Student related | 74,843 | 70,037 | 69,674 |
| Minor equipment and tools | 25,913 | 25,086 | 38,831 |
| Minor computer equipment | 22,480 | 19,442 | 45,639 |
| Materials and supplies | 102,347 | 77,744 | 94,885 |
| | $ 10,795,410 | $ 10,100,084 | $ 11,032,928 |

# College of the North Atlantic
## Summary of Information Technology Expenditures
### Year Ended March 31, 2014

| | 2014 Budget (Note 14) | 2014 | 2013 |
|---|---|---|---|
| Salaries and benefits | **$ 4,598,005** | **$ 3,905,545** | $ 4,916,402 |
| Professional development | **26,741** | **-** | 1,436 |
| Professional fees | **80,565** | **14,748** | 49,580 |
| Travel | **247,883** | **27,505** | 26,408 |
| Photocopying/printing | **1,850** | **-** | 181 |
| Office related supplies | **14,950** | **8,437** | 10,392 |
| Membership fees | **-** | **886** | 3,870 |
| General advertising | **-** | **-** | 186 |
| Freight and customs | **2,555** | **330** | 882 |
| Telephone | **11,730** | **10,038** | 10,076 |
| Utilities | **-** | **-** | 118 |
| Repairs and maintenance | **2,475** | **29,493** | 14,526 |
| Vehicle operations | **-** | **239** | 191 |
| Facilities Rentals | **52,632** | **52,632** | 157,494 |
| Protective clothing | **600** | **259** | 269 |
| Computer supplies | **2,265,652** | **1,398,965** | 1,551,317 |
| Contracted services | **588,564** | **-** | 4,245 |
| Minor equipment and tools | **29,222** | **2,942** | 12,521 |
| Minor computer equipment | **71,781** | **41,643** | 34,294 |
| Materials and supplies | **50,711** | **18,972** | 29,450 |
| | **$ 8,045,916** | **$ 5,512,634** | $ 6,823,838 |

# College of the North Atlantic
## Summary of Resale Expenditures
### Year Ended March 31, 2014

| | 2014 Budget (Note 14) | 2014 | 2013 |
|---|---|---|---|
| Salaries and benefits | $ 1,732,077 | $ 1,865,795 | $ 1,966,325 |
| Professional development | - | - | 64 |
| Employee recognition and wellness | - | 96 | - |
| Professional fees | - | - | 295 |
| Travel | 7,229 | 9,987 | 6,559 |
| Photocopying/printing | 9,050 | 2,230 | 8,693 |
| Office related supplies | 16,750 | 16,308 | 17,730 |
| General advertising | 1,900 | 1,075 | 1,804 |
| Freight and customs | 139,025 | 140,459 | 145,605 |
| Telephone | 1,100 | 1,579 | 1,797 |
| Utilities | 16,265 | 18,510 | 17,491 |
| Repairs and maintenance | 39,725 | 23,829 | 42,062 |
| Protective clothing | 17,400 | 15,589 | 14,633 |
| Food cost | 722,059 | 792,353 | 781,116 |
| Laundry and drycleaning | 17,500 | 16,546 | 20,018 |
| Textbooks and supplies | 2,239,400 | 2,194,914 | 2,274,890 |
| Computer supplies | 13,562 | 13,673 | 13,957 |
| Contracted services | 1,400 | 531 | 1,769 |
| Student related | 1,200 | 881 | 253 |
| Minor equipment and tools | 7,525 | 8,904 | 20,618 |
| Minor computer equipment | 2,000 | 4,023 | 9,935 |
| Materials and supplies | 45,702 | 26,357 | 26,528 |
| | $ 5,030,869 | $ 5,153,639 | $ 5,372,142 |

# College of the North Atlantic
## Summary of Apprenticeship Expenditures
### Year Ended March 31, 2014

| | 2014 Budget (Note 14) | 2014 | 2013 |
|---|---|---|---|
| Salaries and benefits | **$ 3,352,040** | **$ 3,399,043** | $ 3,228,284 |
| Professional development | **2,310** | **-** | 4,063 |
| Professional fees | **3,559** | **1,678** | 1,543 |
| Travel | **-** | **23,192** | 12,171 |
| Recruitment and relocation | **-** | **-** | 66 |
| Photocopying/printing | **5,396** | **4,306** | 5,983 |
| Office related supplies | **450** | **1,058** | 1,610 |
| Membership fees | **150** | **603** | 595 |
| General advertising | **4,713** | **214** | 386 |
| Freight and customs | **12,582** | **1,449** | 293 |
| Telephone | **-** | **33** | 67 |
| Repairs and maintenance | **7,007** | **14,293** | 25,688 |
| Vehicle operations | **3,928** | **520** | 1,186 |
| Equipment rentals | **250** | **253** | 717 |
| Protective clothing | **1,200** | **2,349** | 2,064 |
| Food cost | **15,619** | **22,318** | 12,997 |
| Laundry and drycleaning | **3,155** | **1,136** | 1,664 |
| Computer supplies | **17,478** | **11,731** | 21,225 |
| Contracted services | **-** | **548** | - |
| Educational materials | **26,320** | **13,086** | 32,722 |
| Student related | **385,835** | **580,616** | 453,988 |
| Minor equipment and tools | **47,638** | **50,203** | 64,272 |
| Minor computer equipment | **8,153** | **8,968** | 4,427 |
| Materials and supplies | **251,069** | **248,110** | 224,967 |
| | **$ 4,148,852** | **$ 4,385,707** | $ 4,100,978 |

# College of the North Atlantic
## Summary of Continuing Education Expenditures
### Year Ended March 31, 2014

| | 2014 Budget (Note 14) | 2014 | 2013 |
|---|---|---|---|
| Salaries and benefits | $ 526,659 | $ 487,559 | $ 554,344 |
| Professional fees | 2,000 | 1,055 | 329 |
| Travel | 1,000 | 13,021 | 6,188 |
| Photocopying/printing | 3,703 | 8,318 | 7,392 |
| Office related supplies | - | 2,679 | 2,851 |
| General advertising | 7,733 | 1,973 | 4,689 |
| Freight and customs | 1,241 | 1,187 | 1,622 |
| Utilities | - | 1,142 | - |
| Vehicle operations | - | - | 664 |
| Equipment rentals | - | 262 | 798 |
| Facilities rentals | 3,610 | 3,605 | 6,486 |
| Food cost | - | 126 | 439 |
| Contracted services | 132,340 | 158,649 | 133,305 |
| Educational materials | 3,164 | 470 | 455 |
| Student related | 29,000 | 28,766 | 36,438 |
| Minor equipment and tools | - | - | 1,120 |
| Minor computer equipment | 1,959 | - | - |
| Materials and supplies | 16,400 | 15,613 | 26,817 |
| | $ 728,809 | $ 724,425 | $ 783,937 |

# College of the North Atlantic
## Summary of Contract Expenditures
### Year Ended March 31, 2014

| | 2014 Budget (Note 14) | 2014 | 2013 |
|---|---|---|---|
| Salaries and benefits | $ 3,569,494 | $ 3,580,321 | $ 3,286,845 |
| Professional development | - | 951 | 904 |
| Professional fees | - | 8,055 | 4,465 |
| Travel | 106,500 | 83,817 | 85,904 |
| Recruitment and relocation | 3,000 | - | - |
| Photocopying/printing | 25,250 | 17,340 | 25,781 |
| Office related supplies | 11,000 | 2,116 | 5,474 |
| Membership fees | 4,311 | 310 | 497 |
| General advertising | 6,000 | 11,762 | 26,500 |
| Doubtful receivables | - | - | (64,724) |
| Freight and customs | 2,000 | 5,627 | 8,504 |
| Telephone | 6,060 | 2,886 | 3,477 |
| Utilities | - | - | 4,457 |
| Repairs and maintenance | 8,000 | 4,708 | 4,621 |
| Vehicle operations | 15,897 | 9,436 | 16,351 |
| Equipment rentals | 30,000 | 71,927 | 18,435 |
| Facilities rentals | 20,000 | 5,040 | 4,604 |
| Protective clothing | 10,000 | 5,056 | 2,849 |
| Food cost | 27,500 | 24,259 | 25,960 |
| Laundry and drycleaning | 1,338 | 1,091 | 1,944 |
| Computer supplies | 12,000 | 10,059 | 6,433 |
| Contracted services | 273,983 | 416,520 | 492,277 |
| Educational materials | 8,500 | 5,662 | 7,905 |
| Student related | 224,112 | 181,904 | 147,262 |
| Minor equipment and tools | 23,820 | 3,964 | 16,913 |
| Minor computer equipment | 38,061 | 3,455 | 11,939 |
| Materials and supplies | 159,033 | 240,738 | 175,585 |
| | $ 4,585,859 | $ 4,697,004 | $ 4,321,162 |

# College of the North Atlantic
## Summary of International Expenditures
### Year Ended March 31, 2014

| | 2014 Budget (Note 14) | 2014 | 2013 |
|---|---|---|---|
| Salaries and benefits | $ 379,587 | $ 355,138 | $ 347,528 |
| Professional fees | 80,000 | 110,174 | 123,190 |
| Travel | 98,400 | 90,279 | 59,696 |
| Insurance | - | 249 | 301 |
| Photocopying/printing | 556 | 40 | 82 |
| Office related supplies | 1,287 | 231 | 367 |
| Membership fees | 1,580 | 1,619 | 1,322 |
| General advertising | 3,218 | 1,010 | 7,289 |
| Freight and customs | 2,000 | 1,367 | 2,125 |
| Telephone | 2,200 | 1,679 | 1,421 |
| Facilities rentals | - | 310 | - |
| Computer supplies | - | 115 | - |
| Contracted services | 71,400 | 20,735 | 5,250 |
| Educational Materials | 2,000 | 3,528 | 870 |
| Student related | 3,000 | 4,426 | 3,775 |
| Materials and supplies | 3,741 | 2,538 | 2,761 |
| | $ 648,969 | $ 593,438 | $ 555,977 |

# College of the North Atlantic
## Summary of Special Projects Expenditures
### Year Ended March 31, 2014

| | 2014 Budget (Note 14) | 2014 | 2013 |
|---|---|---|---|
| Salaries and benefits | $ **1,742,333** | **1,830,253** | $ 1,839,153 |
| Professional development | **33,224** | **22,204** | 38,591 |
| Professional fees | **495,142** | **59,788** | 192,563 |
| Travel | **176,851** | **87,578** | 182,692 |
| Insurance | **-** | **1,042** | 286 |
| Photocopying/printing | **1,073** | **4,909** | 6,889 |
| Office related supplies | **2,000** | **2,258** | 921 |
| Membership fees | **1,115** | **2,044** | 713 |
| General advertising | **23,390** | **11,640** | 92,957 |
| Freight and customs | **207** | **1,018** | 3,149 |
| Telephone | **4,212** | **3,497** | 5,487 |
| Utilities | **11,000** | **8,831** | 6,734 |
| Repairs and maintenance | **83,300** | **141,248** | 271,754 |
| Vehicle operations | **26,312** | **15,587** | 48,928 |
| Equipment rentals | **4,919** | **3,509** | 9,430 |
| Facilities rentals | **21,985** | **14,583** | 6,600 |
| Protective clothing | **1,500** | **440** | 956 |
| Food cost | **-** | **428** | 598 |
| Computer supplies | **10,147** | **41,148** | 131,155 |
| Contracted services | **125,164** | **209,017** | 219,834 |
| Educational materials | **250,839** | **2,587** | 390 |
| Daycare operations | **2,619** | **-** | 4,179 |
| Student related | **315,216** | **303,673** | 299,353 |
| Minor equipment and tools | **234,252** | **207,857** | 184,117 |
| Minor computer equipment | **156,415** | **119,199** | 65,339 |
| Materials and supplies | **538,151** | **179,907** | 148,791 |
| | $ **4,261,366** | $ **3,274,245** | $ 3,761,559 |

# College of the North Atlantic
## Summary of Qatar Project Expenditures
### Year Ended March 31, 2014

| | 2014 Budget (Note 14) | 2014 | 2013 |
|---|---|---|---|
| Salaries and benefits | $ **1,327,819** | **1,012,921** | $ 1,353,271 |
| Professional development | **2,200** | **-** | 3,876 |
| Professional fees | **452,600** | **439,178** | 591,395 |
| Travel | **186,000** | **95,292** | 63,289 |
| Photocopying/printing | **4,100** | **1,928** | 3,215 |
| Office related supplies | **7,150** | **8,901** | 8,132 |
| Membership fees | **4,000** | **3,221** | 2,478 |
| General advertising | **64,200** | **49,025** | 15,119 |
| Freight and customs | **3,500** | **2,910** | 3,434 |
| Telephone | **26,850** | **29,652** | 25,998 |
| Facilities rentals | **25,500** | **25,384** | 78,374 |
| Laundry and drycleaning | **-** | **-** | 25 |
| Computer supplies | **3,100** | **1,033** | 523 |
| Minor equipment and tools | **2,400** | **316** | 1,360 |
| Minor computer equipment | **2,500** | **2,823** | 12,006 |
| Materials and supplies | **22,600** | **2,873** | 1,858 |
| | $ **2,134,519** | $ **1,675,457** | $ 2,164,353 |

# College of the North Atlantic
## Summary of Expenditures
### Year Ended March 31, 2014

| | 2014 Budget (Note 14) | 2014 | 2013 |
|---|---|---|---|
| Salaries and benefits | $ 105,689,554 | 103,787,358 | $ 111,896,195 |
| Professional development | 628,560 | 225,394 | 323,708 |
| Employee recognition and wellness | 32,295 | 25,383 | 25,153 |
| Professional fees | 2,546,344 | 1,485,957 | 1,474,341 |
| Travel | 1,842,505 | 1,367,505 | 1,392,570 |
| Recruitment and relocation | 160,591 | 132,634 | 304,266 |
| Insurance | 343,400 | 279,191 | 313,510 |
| Bank charges | 182,000 | 186,122 | 178,577 |
| Photocopying/printing | 637,076 | 485,505 | 612,173 |
| Office related supplies | 584,079 | 533,523 | 565,061 |
| Membership fees | 168,094 | 73,604 | 152,654 |
| General advertising | 814,470 | 487,349 | 732,857 |
| Doubtful receivables | 65,000 | 78,230 | (16,234) |
| Freight and customs | 371,271 | 256,766 | 291,966 |
| Telephone | 766,284 | 742,239 | 756,110 |
| Utilities | 1,640,245 | 1,714,050 | 1,583,983 |
| Repairs and maintenance | 1,236,217 | 1,460,527 | 1,645,115 |
| Vehicle operations | 738,429 | 534,074 | 637,117 |
| Equipment rentals | 139,720 | 139,569 | 86,936 |
| Facilities rentals | 404,932 | 369,838 | 636,984 |
| Protective clothing | 87,514 | 67,075 | 82,027 |
| Assets - loss | - | 65,161 | 2,082 |
| Food cost | 887,994 | 974,593 | 919,588 |
| Laundry and drycleaning | 31,571 | 24,961 | 32,751 |
| Textbooks and supplies | 2,240,500 | 2,194,914 | 2,274,890 |
| Computer supplies | 2,560,356 | 1,692,943 | 2,046,240 |
| Contracted services | 1,423,831 | 960,670 | 1,207,473 |
| Educational materials | 699,979 | 331,189 | 397,315 |
| Daycare operations | 112,074 | 72,493 | 81,089 |
| Student related | 1,292,607 | 1,428,612 | 1,353,048 |
| Minor equipment and tools | 888,696 | 693,290 | 860,194 |
| Minor computer equipment | 536,630 | 460,885 | 390,604 |
| Materials and supplies | 5,727,932 | 2,688,702 | 2,743,047 |
| | $ 135,480,750 | $ 126,020,306 | $ 135,983,390 |

# CONSEIL SCOLAIRE FRANCOPHONE PROVINCIAL DE TERRE-NEUVE-ET-LABRADOR

## Non-Consolidated Financial Statements

## Year Ended June 30, 2013

CSFP

## Management Report

### Management's Responsibility for the Financial Statements

The financial statements of School District have been prepared by management in accordance with Canadian public sector accounting standards and provincial reporting legislation 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 schedules, 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 reliable financial information is produced.

The Board of Directors of the Conseil scolaire francophone provincial (called the "Board") 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 statements on a periodic basis and external audited financial statements yearly.

The external auditors, Gardner Coombs Winsor Coombs, conduct an independent examination, in accordance with Canadian generally accepted auditing standards, and express their opinion on the financial statements. The external auditors have full and free access to financial management of School District and meet when required.

The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the School Board's financial statements.

On behalf of the Conseil scolaire francophone provincial de Terre-Neuve-et-Labrador:

June 17, 2014

**Signature of the Chairperson of the Board – Mr. Ali Chaisson** **Date Signed**

June 18, 2014

**Signature of the Director of Education – Mr. Claude Giroux** **Date Signed**

Peter Smith June 17, 2014

**Signature of the Assistant Director Education (Finance & Administration) – Mr. Peter Smith** **Date Signed**

**Conseil scolaire francophone provincial de Terre-Neuve-et-Labrador**

65, chemin Ridge • Saint Jean (NL) • A1B 4P5 • Téléphone (709) 722-6324 • Télécopieur (709) 722-6325 • www.csfp.nl.ca • conseil@csfp.nl.ca

Gardner Coombs
Winsor Coombs
Chartered Accountants

59A Lemarchant Rd.
St. John's, NL
A1C 2C9
T: 709.753.3283
F: 709.753.0707
gc@gardnercoombs.ca

## INDEPENDENT AUDITOR'S REPORT

To the Members of Conseil scolaire francophone provincial de Terre-Neuve-et-Labrador

We have audited the accompanying non-consolidated financial statements of Conseil scolaire francophone provincial de Terre-Neuve-et-Labrador, which comprise the statements of financial position as at June 30, 2013 and June 30, 2012 and the non-consolidated statements of operations and accumulated surplus, change in net debt and cash flows for the years then ended , and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Non-consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these non-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 non-consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these non-consolidated financial statements based on our audits. We conducted our audits 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 non-consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the non-consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the non-consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the non-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 non-consolidated financial statements.

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

Independent Auditor's Report to the Members of Conseil scolaire francophone provincial de Terre-Neuve-et-Labrador *(continued)*

Opinion

In our opinion, the non-consolidated financial statements present fairly, in all material respects, the financial position of Conseil scolaire francophone provincial de Terre-Neuve-et-Labrador as at June 30, 2013 and June 30, 2012 and the results of its operations, the change in its net debt and its cash flows for the years then ended in accordance with Canadian Public Sector Accounting Standards.

Gardner Coombs Winsor Coombs

St. John's, NL
June 14, 2014

CHARTERED ACCOUNTANTS

## Conseil scolaire francophone provincial
### de Terre-Neuve-et-Labrador

## Non-Consolidated Statement of Financial Position
### June 30, 2013

| | June 30 2013 | June 30 2012 | (Restated) July 1 2011 |
|---|---|---|---|
| **FINANCIAL ASSETS** | | | |
| Bank | $ 99,396 | $ - | $ - |
| Short Term Investments | 309,500 | 309,500 | 307,500 |
| Accounts Receivable (Note 9) | 827,001 | 653,140 | 570,877 |
| HST Receivable | 28,808 | 28,089 | 26,278 |
| **Total financial assets** | 1,264,705 | 990,729 | 904,655 |
| **FINANCIAL LIABILITIES** | | | |
| Due to Bank | - | 29,677 | 29,044 |
| Due to the Government of Newfoundland & Labrador | 233,327 | 174,616 | 172,142 |
| Accounts Payable and Accruals (Note 10) | 72,738 | 103,961 | 63,218 |
| Summer Pay Liability (Note 5) | 676,248 | 467,490 | 434,118 |
| Deferred Revenue | 61,137 | 52,295 | 68,355 |
| Repayable Deposits (Note 7) | 10,139 | 9,718 | 7,595 |
| Employee Future Benefits | | | |
| Accrued Severance Pay (Note 13) | 521,220 | 451,781 | 355,726 |
| Accrued Sick Leave (Note 8) | 433,079 | 396,362 | 365,057 |
| Other (Note 14) | 76,828 | 74,419 | 80,580 |
| **Total financial liabilities** | 2,084,716 | 1,760,319 | 1,575,835 |
| **Net Debt** | 820,011 | 769,590 | 671,180 |
| **NON FINANCIAL ASSETS** | | | |
| Capital Assets (Schedule 7) | 8,927,689 | 8,927,608 | 9,295,498 |
| Prepaid Expenses (Supp. Info.1) | 14,154 | 10,365 | 14,120 |
| **Total non financial assets** | 8,941,843 | 8,937,973 | 9,309,618 |
| **ACCUMULATED SURPLUS** (Note 11) | $ 8,121,832 | $ 8,168,383 | $ 8,638,438 |

See Accompanying Notes

Approved: ______________________ Chair ______________________ Director of Education

## Conseil scolaire francophone provincial
### de Terre-Neuve-et-Labrador

## Non-Consolidated Statement of Operations and Accumulated Surplus
### Year Ended June 30, 2013

| | Budget 2013 | Actual 2013 | Actual 2012 |
|---|---|---|---|
| **Revenue (Schedule 1)** | | | |
| Provincial Government Grants | $ 6,841,800 | $ 7,864,867 | $ 7,540,418 |
| Grants - Official Languages in Education Projects | 1,027,354 | 1,027,354 | 939,648 |
| Ancillary Services | 135,000 | 145,050 | 135,519 |
| Miscellaneous | 1,500 | 10,945 | 2,837 |
| | 8,005,654 | 9,048,216 | 8,618,422 |
| **Expenditures** | | | |
| Administration - (Schedule 2) | 630,300 | 523,526 | 660,206 |
| Instruction (Schedule 3) | 4,673,000 | 4,855,917 | 5,079,121 |
| Operations and Maintenance (Schedule 4) | 1,044,000 | 1,930,777 | 1,794,469 |
| Pupil Transportation (Schedule 5) | 451,000 | 509,302 | 424,748 |
| Ancillary Services & Miscellaneous Expense (Schedule 6) | 180,000 | 249,864 | 190,285 |
| Pupil Services - Official Languages in Education Projects (Schedule 8) | 845,556 | 843,583 | 791,897 |
| Community Programs - Official Languages in Education Projects (Schedule 9) | 181,798 | 181,798 | 147,751 |
| | 8,005,654 | 9,094,767 | 9,088,477 |
| Excess Expenditures over Revenue | - | (46,551) | (470,055) |
| **Accumulated Surplus, Beginning of Year** | 8,168,383 | 8,168,383 | 8,638,438 |
| **Accumulated Surplus, End of Year** | $ 8,168,383 | $ 8,121,832 | $ 8,168,383 |

See Accompanying Notes

## Conseil scolaire francophone provincial
### de Terre-Neuve-et-Labrador

## Non-Consolidated Statement of Changes in Net Debt
### June 30, 2013

| | 2013 | 2012 |
|---|---|---|
| **Excess of expenses over revenue** | (46,551) | (470,055) |
| **Changes in tangible capital assets** | | |
| Acquisition of tangible capital assets | (432,288) | (50,680) |
| Amortization of tangible capital assets | 432,207 | 418,571 |
| **(Increase) decrease in net book value of tangible capital assets** | (81) | 367,891 |
| **Changes in other non-financial assets** | | |
| Net change in prepaid expenses | (3,789) | 3,754 |
| **Increase in net debt** | (50,421) | (98,410) |
| Net debt, beginning of year | (769,590) | (671,180) |
| **Net debt, end of year** | $ (820,011) | $ (769,590) |

See Accompanying Notes

## Conseil scolaire francophone provincial de Terre-Neuve-et-Labrador

## Non-Consolidated Statement of Cash Flows
### Year Ended June 30, 2013

| | 2013 | 2012 |
|---|---|---|
| **Operating Transactions** | | |
| Excess of Expenditures over Revenue | $ (46,551) | $ (470,055) |
| Items not affecting Cash | | |
| - Amortization of Capital Assets | 432,207 | 418,571 |
| - Accounts Receivable | (173,861) | (82,263) |
| - HST Receivable | (719) | (1,811) |
| - Prepaid Expenses | (3,788) | 3,754 |
| - Due to Government of Newfoundland and Labrador | 58,711 | 2,474 |
| - Accounts Payable and Accruals | (31,221) | 40,742 |
| - Repayable Deposits | 421 | 2,123 |
| - Summer Pay Liability | 208,755 | 33,374 |
| - Accrued Severance Pay | 69,439 | 96,055 |
| - Accrued Sick Leave | 36,717 | 31,305 |
| - Other Employee Future Benefits | 2,409 | (6,161) |
| - Deferred Revenue | 8,842 | (16,061) |
| | 561,361 | 52,047 |
| **Capital Asset Transactions** | | |
| Government Purchase - Modular Classrooms | (374,541) | - |
| Additions to Capital Assets | (57,747) | (50,680) |
| | (432,288) | (50,680) |
| **Investing Transactions** | | |
| Short Term Investments | - | (2,000) |
| **Increase (decrease) in Cash** | 129,073 | (633) |
| **Bank indebtedness, beginning of year** | (29,677) | (29,044) |
| **Cash (bank indebtedness), end of year** | $ 99,396 | $ (29,677) |

See Accompanying Notes

## 1. Nature of Operations

The Conseil scolaire francophone provincial de Terre-Neuve-et-Labrador (CSFP or "the Board") is the sole public Francophone school board in Newfoundland and Labrador. According to Article 23 of the Canadian Charter of Rights and Freedoms, the CSFP provides French-first-language education to the children of eligible right-holders. The Board services the entire province of Newfoundland and Labrador and it possesses the same authority as the English public school board of the province, but with an extra mandate to promote the French language and culture.

## 2. Conversion to Public Sector Accounting Standards

Commencing with the 2013 fiscal year, the District has adopted Canadian public sector accounting (CPSA) standards. These financial statements are the first financial statements for which the District has applied CPSA standards. The changeover became effective on June 30, 2012 with retroactive application to July 1, 2011.

In accordance with Section PS 2125, First-Time Adoption by Government Organizations, the District has prepared a reconciliation to enable readers to understand the effects of the changeover on its financial position at the transition date July 1, 2011. The following table presents the reconciliation of the statement of financial position from the previous reporting framework, Canadian generally accepted accounting principles (CGAAP), to the current method of presentation as at the transition date. The impact of the conversion to CPSA standards on the accumulated surplus as of the date of transition and the comparative annual surplus is presented in Note 11.

## Conseil scolaire francophone provincial
## de Terre-Neuve-et-Labrador

## Notes to the Non-Consolidated Financial Statements
### Year Ended June 30, 2013

### 2. Conversion to Public Sector Accounting Standards - continued

| FINANCIAL ASSETS | CGAAP July 1, 2011 | Adjustments | CPSA July 1, 2011 |
|---|---|---|---|
| Short Term Investments | $ 307,500 | $ - | $ 307,500 |
| Accounts Receivable | 570,877 | - | 570,877 |
| HST Receivable | 26,278 | - | 26,278 |
| **Total financial assets** | 904,655 | - | 904,655 |
| **FINANCIAL LIABILITIES** | | | |
| Due to Bank | 29,044 | - | 29,044 |
| Due to the Government of Newfoundland & Labrador | 172,142 | - | 172,142 |
| Accounts Payable and Accruals | 63,218 | - | 63,218 |
| Summer Pay Liability | 434,118 | - | 434,118 |
| Deferred Revenue | 68,355 | - | 68,355 |
| Current Maturities | 3,595 | (3,595) | - |
| Long-Term Debt | 4,000 | (4,000) | - |
| Repayable Deposits | - | 7,595 | 7,595 |
| Employee Future Benefits | | | |
| Accrued Severence Pay (Note 13) | 364,985 | (9,259) | 355,726 |
| Accrued Sick Leave (Note 8) | - | 365,057 | 365,057 |
| Other (Note 14) | 80,580 | - | 80,580 |
| **Total financial liabilities** | 1,220,037 | 355,798 | 1,575,835 |
| **Net Debt** | 315,382 | 355,798 | 671,180 |
| **NON FINANCIAL ASSETS** | | | |
| Capital Assets | 9,295,498 | - | 9,295,498 |
| Prepaid Expenses | 14,120 | - | 14,120 |
| **Total non financial assets** | 9,309,618 | - | 9,309,618 |
| **ACCUMULATED SURPLUS** | $ 8,994,236 | (355,798) | $ 8,638,438 |

## 3. Significant Accounting Policies

The accompanying financial statements have been prepared in accordance with Canadian generally accepted accounting principles for the public sector which are represented by standards issued by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA).

A summary of significant accounting policies adopted by the Board is as follows:

a) These financial statements are prepared on a non-consolidated basis. These financial statements do not include school based financial activities which would consist of revenues, expenses and net assets controlled by school administration.

b) The Board's main source of funding is derived from Government of Newfoundland and Labrador, Department of Education ("the Department"). The Department provides funding for operations, transportation, capital expenditures and teacher salaries and severance pay. Funding is included in revenue on the accrual basis and when the related expenditures have been incurred with the exception of funding for the severance pay, sick leave and executive paid leave. In these three cases, funding is recorded when the severance is paid to employees (see Note 13), when sick leave is taken (Note 8) or when paid leave is taken by executives (see Note 14). Funding designated for specific purposes, for which criteria has not been met, is deferred and included in revenue when the related expenditures have been incurred.

c) Capital asset additions are recorded at full cost and are amortized over their useful lives.

d) Capital assets are amortized using the straight line method based on the following number of years:

| | |
|---|---|
| School Buildings | 40 years |
| Furniture | 10 years |
| Equipment | 10 years |
| Computers | 4 years |

e) The School Board has acquired, in certain cases, land for its buildings without cost. In other cases, the Board obtained authorization to use the land without ownership, as long as the properties are used for educational purposes. Finally, in cases where the land is Board property and value determinations were not possible, fair market values were not recorded.

**3. Significant Accounting Policies – (continued)**

f) The Government of Newfoundland and Labrador processes the payrolls and remits the source deductions directly to the appropriate agencies for all principals, teachers, student assistants, board management and program coordinators. The amounts recorded in the financial statements represent gross salaries and employee benefits as reported by the Department for the year.

g) All permanent employees of the Board are covered by pension plans administered by the Government of Newfoundland and Labrador. Contributions to these plans are required from both the employee and the Board. Post retirement obligations to employees are the responsibility of the Government of Newfoundland and Labrador. For pensions, employer contributions are recognized in the accounts on a current basis.

h) Employees are entitled to severance benefits as stipulated in their conditions of employment. The right to be paid severance pay vests with employees with nine years of continual service with the CSFP or another public sector employer. Severance is payable when the employee ceases employment with the CSFP and the public sector. The severance benefit obligation has been actuarially determined using assumptions based on management's best estimates of future salary and wage changes, employee age, years of service, the probability of voluntary departure due to resignation or retirement, the discount rate and other factors. Discount rates are based on the Province's long-term borrowing rate. Actuarial gains and losses are recognized immediately through the non-consolidated statement of operations.

i) Employees of the CSFP are entitled to sick pay benefits which accumulate but do not vest. In accordance with PSA for post-employment benefits and compensated balances, the CSFP recognizes the liability in the period in which the employee renders service. The obligation is actuarially determined using assumptions based on management's best estimates of the probability of use of accrued sick leave, future salary and wage changes, employee age, the probability of departure, retirement age, the discount rate and other factors. Discount rates are based on the Province's long-term borrowing rate. Actuarial gains and losses are recognized immediately through the non-consolidated statement of operations.

j) In preparing the financial statements for the Conseil scolaire francophone provincial de Terre-Neuve-et-Labrador, management is required to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from these estimates.

Examples of significant estimates include:

- providing for amortization of tangible capital assets
- the estimated useful lives of assets
- the liability for Employee Future Benefits

## 4. Financial Instruments

The Board's financial instruments consist of cash, short term investments, accounts receivable, accounts payable and employee benefits payable. It is management's opinion that the Board is not exposed to significant interest rate, currency or credit risk arising from these financial instruments.

The carrying value of the Board's financial instruments approximate fair values.

## 5. Summer Pay Liability

The Board records a vacation (summer) pay liability for teachers in the District. This liability relates to teachers' salaries earned during the school year but not fully paid to teachers until subsequent to June 30. Accordingly, the Board has recorded teachers' vacation pay receivable of $676,248 in Accounts Receivable (2012 - $467,490).

## 6. Insurance Subsidy

The cost of insuring school properties is incurred by the Provincial Government and no amount has been recorded in these financial statements to reflect this cost.

## 7. Repayable Deposits

The School Board collects performance bonds from suppliers for the provision of multi-year heating, ventilation and air conditioning maintenance contracts as well as for multi-year snow clearing contracts. These deposits earn interest at market rates.

The balance as at June 30, 2013 is payable as follows:

| | |
|---|---|
| 2014 | $2,639 |
| 2015 | 6,000 |
| 2016 | 1,500 |
| Total: | $10,139 |

## 8. Employee Future Benefits – Accrued Sick leave

| | 2013 | 2012 |
|---|---|---|
| Accrued benefit liability – beginning of year | $396,362 | $365,057 |
| Benefits expense | | |
| Current service cost | 60,756 | 54,722 |
| Interest expense | 14,681 | 16,026 |
| Amortization of loss in period | 2,005 | - |
| Benefits paid | (40,725) | (39,443) |
| Total accrued benefit liability – end of year | 433,079 | 396,362 |
| Unamortized actuarial experience loss (gain) | 7,754 | 25,418 |
| Total accrued benefit obligation – end of year | 440,833 | 421,780 |
| Accrued benefit liability according to employee groups | | |
| Teachers | 379,073 | 345,006 |
| Board employees | 38,549 | 36,930 |
| Student assistants | 15,457 | 14,426 |
| Total accrued benefit liability – end of year | $433,079 | $396,362 |

The significant actuarial assumptions used in measuring the accrued sick leave and benefits expenses are as follows:

| | 2013 | 2012 | 2011 |
|---|---|---|---|
| Discount rate - benefit cost | 3.91% | 3.40% | 4.30% |
| Rate of compensation increase | | | |
| Teachers – less than 10 yrs service | | 7.25% | |
| Teachers – more than 10 yrs service | | 4.00% | |
| Student assistants | | 4.00% | |
| Board employees | | 4.00% | |

## Conseil scolaire francophone provincial
### de Terre-Neuve-et-Labrador

## Notes to the Non-Consolidated Financial Statements
### Year Ended June 30, 2013

### 9. Accounts Receivable

| | 2013 | 2012 |
|---|---|---|
| Provincial Government | $ 73,405 | $ 66,495 |
| Summer pay - Teachers | 676,248 | 467,486 |
| Transportation | - | 43,402 |
| Federal Government | 32,663 | 19,322 |
| Rent | 7,463 | 17,079 |
| Interest | 963 | 621 |
| Travel Advances and Miscellaneous | 4,875 | 300 |
| Provincial Government Construction Grants | 31,384 | 38,435 |
| Other | - | - |
| | $ 827,001 | $ 653,140 |

### 10. Accounts Payable and Accruals

| | 2013 | 2012 |
|---|---|---|
| Trade Payables | $ 40,121 | $ 70,990 |
| Accrued Liabilities | 32,617 | 22,605 |
| Salaries Payable | - | 10,366 |
| Other | - | - |
| | $ 72,738 | $ 103,961 |

## Conseil scolaire francophone provincial de Terre-Neuve-et-Labrador

## Notes to the Non-Consolidated Financial Statements
**Year Ended June 30, 2013**

### 11. Accumulated Surplus (Deficit)

| | 2013 | 2012 |
|---|---|---|
| **Continuity** | | |
| Accumulated deficit at beginning of the year as originally reported | $ (346,624) | $ (292,586) |
| Adjustments | | |
| Employee sick leave liability adjustment | (396,362) | (365,057) |
| Employee severance liability adjustment | (10,416) | 9,259 |
| Elimination of Government Investment in Capital Assets category | 8,921,785 | 9,286,822 |
| Accumulated surplus at beginning of the year as restated | 8,168,383 | 8,638,438 |
| Annual deficit for 2012 as originally reported | | (3,358) |
| Adjustments to annual deficit | | |
| Elimination of change in severance pay liability - old results | | 76,386 |
| Elimination of amortization of Government Investment in capital assets | | (415,718) |
| Change in sick leave liability | | (31,308) |
| Change in severance pay liability - new results | | (96,057) |
| Annual deficit for the year as restated | | (470,055) |
| Accumulated surplus - end of year | | 8,168,383 |

| | 2013 | 2012 |
|---|---|---|
| **Year end composition** | | |
| Restricted Reserve - Centre des Grands-Vents - (Note 15) | $ 63,000 | $ 57,000 |
| Net Investment in Capital Assets | 8,921,867 | 8,921,786 |
| Unfunded Accrued Sick Leave | (433,079) | (396,365) |
| Unfunded Accrued Employee Severance Pay | (439,633) | (374,463) |
| Unfunded Paid Leave - Executive | (53,913) | (52,779) |
| Operating Accumulated Surplus | 63,590 | 13,204 |
| **Total Accumulated Surplus** | $ 8,121,832 | $ 8,168,383 |

## 12. Expenses by Object

| | 2013 | 2012 |
|---|---|---|
| Salary | $ 5,230,798 | $ 5,313,367 |
| Employee benefits | 852,825 | 845,275 |
| Supplies and services | 2,168,735 | 2,084,058 |
| Contract services and fees | 284,916 | 325,350 |
| Training | 65,682 | 82,249 |
| Rentals | 59,182 | 18,349 |
| Amortization | 432,205 | 418,571 |
| Interest | 424 | 1,258 |
| | $ 9,094,767 | $ 9,088,477 |

## 13. Employee Future Benefits - Accrued Severance Pay

| | 2013 | 2012 |
|---|---|---|
| Accrued benefit liability – beginning of year | $451,781 | $355,726 |
| Benefits expense | | |
| Current service cost | 98,656 | 80,103 |
| Interest expense | 17,037 | 15,952 |
| Amortization of Loss in Period | 4,082 | - |
| Benefits paid | (50,336) | - |
| Accrued benefit liability – end of year | 521,220 | 451,781 |
| Unamortized actuarial loss (gain) | 10,468 | 51,250 |
| Accrued benefit obligation – end of year | 531,688 | 503,031 |
| Accrued benefit liability according to employee groups | | |
| Teachers | 400,066 | 347,622 |
| Board employees | 116,783 | 101,683 |
| Student assistants | 4,371 | 2,476 |
| Total accrued benefit liability – end of year | $521,220 | $451,781 |

The significant actuarial assumptions used in measuring the accrued severance pay and benefits expenses are as follows:

| | 2013 | 2012 | 2011 |
|---|---|---|---|
| Discount rate - benefit cost | 3.91% | 3.40% | 4.30% |
| Rate of compensation increase | | | |
| Teachers – less than 10 yrs service | | 7.25% | |
| Teachers – more than 10 yrs service | | 4.00% | |
| Student assistants | | 4.00% | |
| Board employees | | 4.00% | |

## 14. Employee Future Benefits - Other

Paid leave for executive staff and vacation pay benefits payable for Board office administration staff, school secretaries and janitorial staff are recorded in accordance with the benefit rates applicable to these groups.

Other employee future benefits is comprised of the following:

| | 2013 | 2012 |
|---|---|---|
| Executive staff paid leave | $53,913 | $52,779 |
| Employee vacation pay | 22,915 | 21,640 |
| Total | $ 76,828 | $ 74,419 |

## 15. Reserve

In accordance with leases with the tenants of the Centre scolaire et communautaire des Grand-Vents in St. John's, the CSFP maintains a reserve constituted of funds that management has designated as restricted for the future purchase of computer equipment and major renovations to this building.

## 16. Comparative Figures

Some of the comparative figures have been reclassified to conform to the current year's presentation.

## Conseil scolaire francophone provincial
## de Terre-Neuve-et-Labrador

## Revenues
### Year Ended June 30, 2013

| | Budget 2013 | Actual 2013 | Actual 2012 |
|---|---|---|---|
| **Revenues** | | | |
| **Grants - Official Languages in Education** | | | |
| Regular Projects | $ 1,027,354 | $ 1,027,354 | $ 939,648 |
| Other | - | - | - |
| | 1,027,354 | 1,027,354 | 939,648 |
| **Provincial Government Grants** | | | |
| Regular Operating Grants | 1,525,300 | 1,622,206 | 1,571,218 |
| Acquisition of Capital Assets - Buildings & Land | 410,000 | 374,541 | - |
| Major Renovations to Buildings | - | 661,707 | 623,549 |
| Special Grants | | | |
| - Official Language Monitor | 33,500 | 40,363 | 31,322 |
| - Communication Tech (Powerschool) | 15,000 | 10,918 | 34,736 |
| - Other | 35,500 | 226,575 | 272,791 |
| Salaries and Benefits | | - | - |
| - Director & Assistant Director | 300,000 | 242,010 | 298,907 |
| - Regular Teachers | 3,792,500 | 3,814,237 | 3,999,063 |
| - Substitute Teachers | 110,000 | 206,510 | 159,537 |
| - Student Assistants | 110,000 | 99,227 | 131,721 |
| - Senior Educational Officer | 65,000 | 98,006 | - |
| Pupil Transportation | | | |
| - Contracted | 445,000 | 468,567 | 417,574 |
| - Handicapped | - | - | - |
| | 6,841,800 | 7,864,867 | 7,540,418 |
| **Ancillary Services** | | | |
| Revenues from Rental of Residences | - | 6,351 | - |
| Revenues from Rental of Schools and | 110,000 | 113,699 | 110,519 |
| Facilities - Grands-Vents | | - | - |
| Other rental - ARCO - West Coast | 25,000 | 25,000 | 25,000 |
| | 135,000 | 145,050 | 135,519 |
| **Miscellaneous** | | | |
| Interest on Investments | 1,000 | 1,286 | 2,837 |
| Recoveries of Expenditures | - | 8,453 | - |
| Other - Sundry | 500 | 1,206 | - |
| | 1,500 | 10,945 | 2,837 |
| Total Revenues | $ 8,005,654 | $ 9,048,216 | $ 8,618,422 |

## Conseil scolaire francophone provincial de Terre-Neuve-et-Labrador

## Administration Expenditures
Year Ended June 30, 2013

| | Budget 2013 | Actual 2013 | Actual 2012 |
|---|---|---|---|
| Salaries and Benefits | | | |
| - Director and Assistant Director | $ 300,000 | $ 245,744 | $ 283,982 |
| - Board Office Personnel | 137,500 | 98,243 | 112,038 |
| Office Supplies | 6,000 | 3,968 | 4,146 |
| Replacement Furniture and Equipment | 5,000 | 3,389 | 4,020 |
| Postage | 5,500 | 3,796 | 4,264 |
| Telephone / Internet | 19,000 | 15,568 | 19,431 |
| Office Equipment Rentals and Repairs | 10,000 | 10,138 | 10,657 |
| Bank Charges | 4,000 | 3,891 | 4,098 |
| Insurance | - | - | 317 |
| Repairs and Maintenance - Office Building | 3,000 | 2,761 | 2,039 |
| Travel | 22,500 | 14,431 | 12,154 |
| Board Meeting Expenses | 45,000 | 31,034 | 51,440 |
| Professional Fees | 25,000 | 28,651 | 99,042 |
| Advertising - Recruitment | 7,500 | 17,543 | 15,555 |
| Membership Dues - NLSBA, etc. | 21,500 | 18,818 | 17,120 |
| Municipal Service Fees | 1,500 | 996 | 1,195 |
| Relocation Expenses | - | 7,863 | - |
| Miscellaneous | 1,000 | 246 | 320 |
| Amortization | 12,800 | 14,614 | 15,560 |
| Training | 3,500 | 1,832 | 2,828 |
| Total Administration Expenditures | $ 630,300 | $ 523,526 | $ 660,206 |

## Conseil scolaire francophone provincial
## de Terre-Neuve-et-Labrador

### Instructional Expenditures
### Year Ended June 30, 2013

| | Budget 2013 | Actual 2013 | Actual 2012 |
|---|---|---|---|
| **Instructional Salaries (Gross)** | | | |
| Teachers' Salaries - Regular | $ 3,200,000 | $ 3,226,326 | $ 3,414,554 |
| - Substitutes | 110,000 | 186,012 | 150,941 |
| - Senior Education Officer | 70,000 | 98,006 | - |
| - Board Paid | 4,500 | - | 71,606 |
| Employee Benefits - general | 520,000 | 546,320 | 545,155 |
| Employee Benefits - sick leave & severance | - | 86,511 | 112,984 |
| School Secretaries - Salaries & Benefits | 177,000 | 195,379 | 175,838 |
| Payroll Tax | 72,500 | 75,936 | 72,943 |
| Other - Salary & Benefits - Program Coordinators | 130,000 | 118,559 | 141,228 |
| Other - Salary & Benefits - Student Assistants | 110,000 | 88,306 | 109,148 |
| | 4,394,000 | 4,621,355 | 4,794,397 |
| **Instructional Materials** | | | |
| General Supplies | 23,500 | 17,989 | 17,000 |
| Library Resource Materials | - | - | 81 |
| Teaching Aids | 30,000 | 38,387 | 46,247 |
| | 53,500 | 56,376 | 63,328 |
| **Instructional Furniture and Equipment** | | | |
| Replacement | 30,000 | 27,473 | 12,808 |
| Rentals and Repairs | 7,500 | 7,720 | 7,692 |
| | 37,500 | 35,193 | 20,500 |
| **Instructional Staff Travel** | | | |
| Program Co-ordinators | 19,000 | - | 10,945 |
| Teachers' Travel | 16,000 | 20,707 | 22,158 |
| Inservice and Conferences | 5,000 | 1,437 | 4,706 |
| | 40,000 | 22,144 | 37,809 |
| **Other Instructional Costs** | | | |
| French Monitor Program | 37,500 | 44,037 | 34,689 |
| Inclusion - Support Services | 10,000 | 6,412 | 8,662 |
| Secretaries - Training | 5,000 | 1,920 | 499 |
| Secretaries - Travel | 2,500 | 1,045 | 3,097 |
| Secretaries - Equipment | 2,500 | - | 588 |
| Kinderstart | 500 | 1,500 | 97 |
| PowerSchool | 15,000 | 8,489 | 28,548 |
| Arts Workshop | 25,000 | 641 | 27,256 |
| | 98,000 | 64,044 | 103,436 |
| **Amortization** | 50,000 | 56,805 | 59,651 |
| Total Instruction Expenditures | $ 4,673,000 | $ 4,855,917 | $ 5,079,121 |

## Conseil scolaire francophone provincial
### de Terre-Neuve-et-Labrador

## Operations and Maintenance Expenditures - Schools
### Year Ended June 30, 2013

| | Budget 2013 | Actual 2013 | Actual 2012 |
|---|---|---|---|
| Salaries - Janitorial | $ 248,000 | $ 302,388 | $ 236,989 |
| Salarires - Maintenance | 81,000 | 95,244 | 116,519 |
| Electricity | 140,000 | 163,968 | 160,321 |
| Municipal Service Fees/Garbage Removal | 15,000 | 20,087 | 17,236 |
| Telephone | 26,000 | 25,131 | 28,334 |
| Vehicle Operating and Travel | 19,500 | 19,133 | 28,162 |
| Janitorial Supplies | 20,000 | 15,743 | 22,787 |
| Janitorial Equipment | 2,500 | 2,898 | 608 |
| Minor Repairs and Maintenance - Buildings | 50,000 | 167,356 | 133,118 |
| Major Repairs and Maintenance - Buildings | - | 661,707 | 623,549 |
| Repairs and Maintenance - Equipment | 21,500 | 11,007 | 3,364 |
| Contracted Services - Janitorial | 1,500 | - | - |
| Snow Clearing | 65,000 | 88,772 | 82,341 |
| Other (Training) | 6,000 | - | - |
| Other (Security Systems) | 3,000 | 1,987 | 2,960 |
| Amortization | 345,000 | 355,356 | 338,181 |
| Total Operations and Maintenance | $ 1,044,000 | $ 1,930,777 | $ 1,794,469 |

## Conseil scolaire francophone provincial
### de Terre-Neuve-et-Labrador

## Pupil Transportation Expenditures
### Year Ended June 30, 2013

| | Budget 2013 | Actual 2013 | Actual 2012 |
|---|---|---|---|
| Operation and Maintenance of Board Owned Fleet | $ - | $ - | $ - |
| Contracted Services | | | |
| Regular Transportation | 445,000 | 503,313 | 418,780 |
| Extracurricular Busing | 6,000 | 5,989 | 5,968 |
| Pupil Transportation Expenditures | $ 451,000 | $ 509,302 | $ 424,748 |

## Conseil scolaire francophone provincial
## de Terre-Neuve-et-Labrador

## Ancillary Services and Miscellaneous Expenditures
### Year Ended June 30, 2013

**Ancillary Services Expenditures**

The Board owns and operates the following ancillary services:

| | Budget 2013 | Actual 2013 | Actual 2012 |
|---|---|---|---|
| Ancillary Services | | | |
| Operation of Teachers' Residences | $ - | $ 41,324 | $ - |
| Cafeterias | - | - | - |
| Other - Community Centre operations | 175,000 | 194,353 | 182,153 |
| Amortization | 5,000 | 5,430 | 5,178 |
| Other | - | - | - |
| Total ancillary services | 180,000 | 241,107 | 187,331 |

**Miscellaneous Expenditures**

The Board has incurred the following miscellaneous expenses:

| | Budget 2013 | Actual 2013 | Actual 2012 |
|---|---|---|---|
| Wordpress | - | 5,000 | - |
| Special Project - Claquer des mots | - | 3,757 | 2,954 |
| Total miscellaneous expenses | - | 8,757 | 2,954 |
| Total Ancillary Services and Miscellaneous Expenses | $ 180,000 | $ 249,864 | $ 190,285 |

## Conseil scolaire francophone provincial
## de Terre-Neuve-et-Labrador

### Details of Capital Assets
### Year Ended June 30, 2013

| | Cost 2012 | Additions 2013 | Cost 2013 | Accumulated Amortization 2013 | Net book value 2013 | Net book value 2012 |
|---|---|---|---|---|---|---|
| **Land and Sites** | | | | | | |
| Land and Sites | $ 125,000 | $ - | $ 125,000 | $ - | 125,000 | $ 125,000 |
| **Buildings** | | | | | | |
| Schools | 13,445,335 | 374,541 | 13,819,876 | 5,301,877 | 8,517,999 | 8,474,317 |
| Administration | - | - | - | - | - | - |
| | 13,445,335 | 374,541 | 13,819,876 | 5,301,877 | 8,517,999 | 8,474,317 |
| **Furniture and Equip.** | | | | | | |
| Schools | 663,996 | 8,774 | 672,770 | 469,417 | 203,352 | 251,382 |
| Administration | 118,956 | - | 118,956 | 107,787 | 11,169 | 16,619 |
| Other - CGV | 51,784 | 2,520 | 54,304 | 35,396 | 18,908 | 21,819 |
| | 834,736 | 11,294 | 846,030 | 612,600 | 233,429 | 289,820 |
| **Computers** | | | | | | |
| Schools | 385,419 | 27,870 | 413,289 | 377,794 | 35,495 | 32,123 |
| Administration | 222,698 | 18,583 | 241,281 | 225,516 | 15,765 | 6,348 |
| | 608,117 | 46,453 | 654,570 | 603,310 | 51,260 | 38,471 |
| **Total Capital Assets** | $ 15,013,188 | $ 432,288 | $ 15,445,476 | $ 6,517,787 | $ 8,927,689 | $ 8,927,608 |

## Conseil scolaire francophone provincial
## de Terre-Neuve-et-Labrador

### Pupil Services - Official Languages in Education Projects
### Year Ended June 30, 2013

| | Budget 2013 | Actual 2013 | Actual 2012 |
|---|---|---|---|
| Language Recovery | $ 240,000 | $ 237,979 | $ 241,290 |
| Student Support Services | 109,335 | 117,244 | 112,712 |
| Art & Cultural Programming | 106,531 | 99,548 | 116,888 |
| School Programs Coordination | 125,240 | 77,629 | 13,455 |
| Principal & Teacher Training | 61,500 | 60,493 | 75,579 |
| Promotion & Communications Services | 46,000 | 50,768 | 31,258 |
| Federal Project Administration | 42,500 | 49,071 | 45,109 |
| Technology Support Services | 45,000 | 47,240 | 45,000 |
| Teacher Recruitment and Retention | 29,000 | 37,372 | 42,311 |
| French Professional Services | 30,450 | 31,072 | 34,019 |
| School Board Governance | - | 25,320 | 9,319 |
| Educational Resource Centre | 10,000 | 9,847 | 6,599 |
| Support to Distance Education | - | - | 15,211 |
| Tutoring | - | - | 3,147 |
| Total - Pupil Services - Official Languages in Education Projects | $ 845,556 | $ 843,583 | $ 791,897 |

## Conseil scolaire francophone provincial
## de Terre-Neuve-et-Labrador

### Community Programs - Official Languages in Education Projects
### Year Ended June 30, 2013

| | Budget 2013 | Actual 2013 | Actual 2012 |
|---|---|---|---|
| Preschool Program | $ 75,356 | $ 72,719 | $ 70,920 |
| After School Programs | 63,660 | 63,629 | 35,460 |
| Family Literacy - Port-au-Port Peninsula | 30,688 | 30,906 | 32,505 |
| Saturday Activity Camp | 12,094 | 14,544 | 7,388 |
| Summer Project | - | - | 1,478 |
| Total Community Programs - Official Languages in Education Projects | $ 181,798 | $ 181,798 | $ 147,751 |

## Conseil scolaire francophone provincial de Terre-Neuve-et-Labrador

## Supplementary Information
### Year Ended June 30, 2013

### 1. Prepaid Expenses

| | 2013 | 2012 |
|---|---|---|
| Workers' Compensation Commission | $ 8,260 | $ 9,716 |
| Airplane Tickets | 1,844 | - |
| Rental - Damage Deposit | 4,050 | - |
| Other | - | 649 |
| Total Prepaid Expenses | $ 14,154 | $ 10,365 |

# CREDIT UNION DEPOSIT GUARANTEE CORPORATION NL

## Financial Statements

## Year Ended December 31, 2013

BRIAN T. SCAMMELL, CA CBV
ASSURANCE VALUATION & ADVISORY

P.O.Box 29024
St. John's, NL A1A 5B5
P: 709.699.1135
E: brian@briantscammell.ca

## INDEPENDENT AUDITOR'S REPORT

To the Directors of Credit Union Deposit Guarantee Corporation NL

I have audited the accompanying financial statements of Credit Union Deposit Guarantee Corporation NL, which comprise the balance sheet as at December 31, 2013 and the statements of income and fund balance and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting 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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of Credit Union Deposit Guarantee Corporation NL as at December 31, 2013 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Brian Scammell

St. John's, NL
March 19, 2014

CHARTERED ACCOUNTANT

**Credit Union Deposit Guarantee Corporation NL**
**Balance Sheet**
**December 31, 2013**

| | 2013 | 2012 |
|---|---|---|
| **ASSETS** | | |
| Cash | $ 52,809 | $ 65,714 |
| Marketable securities *(Market value $6,450,110; 2012 - $6,009,880) (Note 4)* | 6,450,110 | 6,009,880 |
| Accounts receivable | 614 | 862 |
| Interest receivable | 24,390 | 67,617 |
| Harmonized sales tax recoverable | 28,421 | 32,150 |
| Prepaid expenses | 441 | 390 |
| Capital assets *(Note 5)* | 11,864 | 12,666 |
| | $ 6,568,649 | $ 6,189,279 |
| **LIABILITIES** | | |
| Accounts payable | $ 530,825 | $ 688,826 |
| **FUND BALANCE** | 6,037,824 | 5,500,453 |
| **LIABILITIES AND FUND BALANCE** | $ 6,568,649 | $ 6,189,279 |

**ON BEHALF OF THE BOARD**

*Director*

*Director*

**Credit Union Deposit Guarantee Corporation NL**
**Statement of Income and Fund Balance**
**Year Ended December 31, 2013**

| | 2013 | 2012 |
|---|---|---|
| **REVENUE** | | |
| Assessments | $ 1,481,306 | $ 1,249,175 |
| Bonding insurance | 276,968 | 266,660 |
| Interest | 111,212 | 107,165 |
| Other | 1,150 | 600 |
| | 1,870,636 | 1,623,600 |
| **EXPENSES** | | |
| Salaries and wages | 527,933 | 500,241 |
| Bonding Insurance | 224,010 | 214,265 |
| Advertising and promotion | 76,743 | 90,333 |
| Rental | 44,460 | 43,974 |
| Travel | 38,824 | 26,826 |
| Meetings and conventions | 31,880 | 41,823 |
| Training | 30,990 | 42,657 |
| Data access costs | 13,228 | 12,854 |
| Telephone | 11,714 | 13,350 |
| Office | 11,469 | 14,615 |
| Professional fees | 10,793 | 20,769 |
| Directors fees | 7,830 | 8,220 |
| Amortization | 3,391 | 3,883 |
| | 1,033,265 | 1,033,810 |
| **INCOME FROM OPERATIONS** | 837,371 | 589,790 |
| OTHER INCOME (EXPENSES) | | |
| Assistance to credit unions | (300,000) | (482,000) |
| **NET INCOME** | 537,371 | 107,790 |
| FUND BALANCE - BEGINNING OF YEAR | 5,500,453 | 5,392,663 |
| **FUND BALANCE - END OF YEAR** | $ 6,037,824 | $ 5,500,453 |

## Credit Union Deposit Guarantee Corporation NL
## Statement of Cash Flows
## Year Ended December 31, 2013

| | | 2013 | | 2012 |
|---|---|---|---|---|
| **OPERATING ACTIVITIES** | | | | |
| Net income | $ | **537,371** | $ | 107,790 |
| Items not affecting cash: | | | | |
| Amortization of capital assets | | **3,391** | | 3,883 |
| Interest revenue | | **(111,212)** | | (107,165) |
| | | **429,550** | | 4,508 |
| Changes in non-cash working capital: | | | | |
| Accounts receivable | | **248** | | 435 |
| Interest received | | **154,439** | | 118,159 |
| Accounts payable | | **(158,001)** | | 443,711 |
| Prepaid expenses | | **(51)** | | 2,610 |
| Harmonized sales tax receivable | | **3,729** | | (3,805) |
| | | **364** | | 561,110 |
| Cash flow from operating activities | | **429,914** | | 565,618 |
| **INVESTING ACTIVITIES** | | | | |
| Purchase of capital assets | | **(2,589)** | | (1,547) |
| Redemption of marketable securities | | **1,079,770** | | 5,563,527 |
| Purchase of marketable securities | | **(1,520,000)** | | (6,448,280) |
| Cash flow used by investing activities | | **(442,819)** | | (886,300) |
| **DECREASE IN CASH FLOW** | | **(12,905)** | | (320,682) |
| Cash - beginning of year | | **65,714** | | 386,396 |
| **CASH - END OF YEAR** | $ | **52,809** | $ | 65,714 |
| **CASH FLOWS SUPPLEMENTARY INFORMATION** | | | | |
| Interest received | $ | **(43,228)** | $ | (10,994) |
| Interest paid | $ | **-** | $ | - |
| Income taxes paid | $ | **-** | $ | - |

## 1. REPORTING ENTITY

The Credit Union Deposit Guarantee Corporation (the "Corporation") is established as a corporation without share capital under the provisions of Section 133 of the *Credit Union Act, 2009*

## 2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") adopted by the International Accounting Standards Board. ("IASB")

The financial statements for the year ended December 31, 2013 were authorized for issue by the Corporation's Board of Directors on March 19, 2014.

These financial statements are presented in Canadian dollars which is the Corporation's functional currency. They are prepared under the historical cost convention except for cash and cash equivalents which are classified as available-for-sale.

*Use of significant accounting judgments, estimates and assumptions*

The preparation of these financial statements in conformity with IFRS requires management to make judgements, estimates, and assumptions that affect the application of policies and reported amounts of assets and liabilities, and disclosures of contingent assets and contingent liabilities at the date of these financial statements, and the reported amounts of revenues and expenses during the year. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from estimates made in these financial statements.

The estimates and underlying assumptions are continually evaluated. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRS have a significant effect on these financial statements. Outlined below are areas involving a higher degree of judgment or complexity, or areas where assumptions are significant to the Corporation's financial statements:

*(a) Provisions*

Assistance to credit unions, which is included in accounts payable and accrued liabilities, is management's best estimate of the consideration required to settle the related liability, taking into account the risks and uncertainties surrounding the obligation.

*Application of new and revised standards*

In the current year, the Corporation applied the following new and amended IFRSs issued by the International Accounting Standards Board ("IASB") that are mandatorily effective for the year ended December 31, 2013.

(a) IFRS 13 Fair Value Measurement

In May 2011, the IASB issued IFRS 13 - Fair Value Measurement ("IFRS 13"). IFRS 13 defines fair value and sets out a single IFRS framework for measuring fair value and requires disclosures about fair value measurements.

*(continues)*

## 2. BASIS OF PREPARATION *(continued)*

(b) Presentation of financial statements

In June 2011, the IASB amended IAS 1 - Presentation of Financial Statements: Other Comprehensive Income ("IAS 1"), which will be applied retrospectively for annual periods beginning on or after July 1, 2012. The amendments require additional disclosures on components of other comprehensive income ("OCI").

The adoption of the new and amended standards had no impact on the operations or reporting of the Corporation.

*New standards and interpretations not yet adopted*

Certain new standards, interpretations, amendments and improvements to the existing standards have been issued by the IASB but are not yet effective for the year ended December 31, 2013, and have not been applied in preparing these financial statements:

*(a) Recoverable Amount Disclosures for Non-Financial Assets*

In May 2013, the IASB issued Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36). These narrow-scope amendments to IAS 36, Impairment of Assets, address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. IAS 36 is effective for annual periods beginning on or after January 1, 2014

*(b) Financial Instruments*

In November 2009 and October 2010, the IASB issued IFRS 9 - Financial Instruments ("IFRS 9"), Classification and Measurement of Financial Assets and Financial Liabilities. IFRS 9 will replace IAS 39 - Financial Instruments: Recognition and Measurement ("IAS 39") in its entirety. IFRS 9 uses a single approach to determine whether a financial asset or liability is measured at amortized cost or fair value, replacing the multiple rules in IAS 39.

In November 2013, the IASB announced the completion of a package of three amendments to the accounting requirements for financial statements set out in IFRS 9. The amendments are as follows:

(i) bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements;

(ii) allow the changes to address the so-called 'own credit' issue that were already included in IFRS 9 to be applied in isolation without the need to change any other accounting for financial instruments; and

(iii) remove the January 1, 2015 mandatory effective date of IFRS 9, to provide sufficient time for preparers of financial statements to make the transition to the new requirements.

The Corporation is assessing the potential impact of these new amendments and standards.

## 3. OTHER SIGNIFICANT ACCOUNTING POLICIES

***Cash***

Cash consists of balances with banks.

***Financial instruments***

*Classification*

A financial instrument is a contract that establishes a financial asset for one party and a financial liability or equity instrument for the other party. All financial instruments have been classified either based on the type of instrument or the Corporation's intention regarding the instrument, as described below:

*Held for Trading*

Financial assets classified as held for trading are typically acquired for resale prior to maturity or designated as held for trading.They are measured at fair value on the balance sheet date. Fair value fluctuations including interest earned, interest accrued, gains and losses realized on disposal and unrealized gains and losses are included in investment income. Cash and cash equivalents have been classified as held-for-trading.

Financial liabilities designated as held for trading are those non-derivative financial liabilities that the Corporation elects to designate on initial recognition as instruments that it will measure at fair value through other interest expense.These are accounted for in the same manner as held for trading assets.The Corporation has not designated any non-derivative financial liabilities as held for trading.

*Held to Maturity*

Held to maturity financial assets are non-derivative financial assets with fixed or determinable payments and a fixed maturity, other than loans and receivables, that an entity has the positive intention and ability to hold to maturity.These assets are measured at amortized cost using the effective interest method. The Corporation has classified its investments as held to maturity.

*Available for Sale*

Available for sale financial assets are those non-derivative financial assets that are designated as available for sale, or that are not classified as loans and receivables, held for trading, or held to maturity. Except as mentioned below, available for sale financial assets are carried at fair value with unrealized gains and losses included in accumulated other comprehensive income until realized when the cumulative gain or loss is transferred to other income. Available for sale financial assets that do not have quoted market prices in an active market are recorded at cost. Interest on interest bearing available for sale financial assets is calculated using the effective interest method. No financial assets have been classified as available for sale.

*Loans and Receivables*

Loans and receivables are recorded at amortized cost using the effective interest method. Amortized cost is a reasonable estimate of the fair value of these instruments.

*(continues)*

## 3. OTHER SIGNIFICANT ACCOUNTING POLICIES *(continued)*

*Other Liabilities*

Other liabilities, such as bank indebtedness and accounts payable and accrued liabilities, are recorded at amortized cost using the effective interest method and include all financial liabilities other than derivative instruments. Amortized cost is a reasonable estimate of the fair value of these instruments

*Transaction Costs*

Transaction costs are expensed as incurred.

*Fair Values*

The fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable willing parties who are under no compulsion to act. Fair values are determined by reference to quoted bid or asking prices in an active market. In the absence of an open market, the Corporation determines fair values based on internal or external valuation models such as discounted cash flow analysis or using observable market-based inputs.

*Effective Interest Method*

The Corporation uses the effective interest method to recognize interest income or expense, premiums or discounts earned or incurred for financial instruments.

***Capital assets***

Capital assets are stated at cost less accumulated amortization. Capital assets are amortized over their estimated useful lives at the following rates and methods:

| | | |
|---|---|---|
| Computer equipment | 30% | declining balance method |
| Furniture and fixtures | 20% | declining balance method |
| Signage | 20% | declining balance method |

The Corporation regularly reviews its capital assets to eliminate obsolete items.

Capital assets acquired during the year but not placed into use are not amortized until they are placed into use.

***Severance pay***

Severance pay, which is included with accounts payable and accrued liabilities, is accrued for all employees for whom the right to such compensation is vested.

***Revenue recognition***

The Corporation recognizes assessment revenue based on a percentage of insured deposits of individual credit unions operating within the Province of Newfoundland & Labrador. Interest revenue is recognized based on the investment interest collected and accrued during the year, and bonding revenue is recognized based on a percentage of individual credit unions' assets plus a $60,000 fee that is allocated to the Newfoundland and Labrador credit unions based on a pre-determined formula.

*(continues)*

## 3. OTHER SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### *Assistance to credit unions*

Assistance to credit unions is recorded only when it can be reasonably determined by the Corporation that such a payment will be required and when the Board of Directors has assessed the reasonableness of such a charge and authorized the assistance as a commitment of the Fund. The determination of the assistance requires the exercise of judgement because the precise amount, method and timing of such assistance is dependent on future events. The amount of actual assistance paid and possible future assistance is disclosed in the financial statements.

### *Pension costs*

Employees of the Corporation other than the Chief Executive Officer are included in the Public Service Pension Plan of the Government of Newfoundland and Labrador. Contributions to the plans are required from both the employees and the Corporation. The annual contributions for pension are recognized in the accounts on a current basis. Contributions to this plan totalled $23,992 (2012- $24,274).

The Corporation also contributed to a private registered retirement savings plan for the Chief Executive Officer based on a percentage of his annual salary. Contributions to this plan totalled $7,966 (2012- $7,966)

### *Future income taxes*

The liability method of tax allocation is used in accounting for income taxes. Under this method, future tax assets and liabilities are determined based on differences between the financial reporting and tax basis of assets and liabilities, and measured using the substantially enacted tax rates and laws that will be in effect when the differences are expected to reverse.

## 4. MARKETABLE SECURITIES

| | 2013 | 2012 |
|---|---|---|
| Concentra Financial term deposit, 1.76%, maturing April 9, 2014 *(market value $5,000,000)* | **$ 5,000,000** | $ - |
| Concentra Financial term deposit, 1.78%, matured April 9, 2013 *(market value $5,000,000)* | **-** | 5,000,000 |
| Concentral Financial term deposit, 1.67%, maturing April 28, 2014. *(market value $1,450,000)* | **1,450,000** | - |
| Concentra Financial term deposit, 1.51%, matured April 26, 2013 *(market value $1,009,770)* | **-** | 1,009,770 |
| Newfoundland and Labrador Credit Union share | **100** | 100 |
| Concentra share | **10** | 10 |
| | **$ 6,450,110** | $ 6,009,880 |

## 5. CAPITAL ASSETS

**2013**

| | Computers | Signage | Furniture and Fixtures | Total |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| **Cost** | | | | |
| Balance, beginning of year | 77,084 | 1,547 | 34,247 | 112,878 |
| Additions | 1,789 | - | 800 | 2,589 |
| Disposals | | | | |
| Balance, end of year | 78,873 | 1,547 | 35,047 | 115,467 |
| **Accumulated Depreciation** | | | | |
| Balance, beginning of year | 71,990 | 155 | 28,067 | 100,212 |
| Amortization expense | 1,797 | 278 | 1,316 | 3,391 |
| Balance, end of year | 73,787 | 433 | 29,383 | 103,603 |
| **Net book value** | **5,086** | **1,114** | **5,664** | **11,864** |

**2012**

| | Computers | Signage | Furniture and Fixtures | Total |
|---|---|---|---|---|
| | $ | | $ | $ |
| **Cost** | | | | |
| Balance, beginning of year | 77,084 | - | 34,247 | 111,331 |
| Additions | - | 1,547 | - | 1,547 |
| Disposals | - | - | - | |
| Balance, end of year | 77,084 | 1,547 | 34,247 | 112,878 |
| **Accumulated Depreciation** | | | | |
| Balance, beginning of year | 69,807 | - | 26,522 | 96,329 |
| Amortization expense | 2,183 | 155 | 1,545 | 3,883 |
| Balance, end of year | 71,990 | 155 | 28,067 | 100,212 |
| **Net book value** | **5,094** | **1,392** | **6,180** | **12,666** |

## 6. CAPITAL MANAGEMENT

The Corporation's objectives with respect to capital management are to safeguard the entity's ability to continue as a going concern so that it can continue to operate as a deposit insurance provider for the Newfoundland & Labrador credit unions, including the provision of stabilization funds as needed.

The Corporation defines its capital as the balance in the Deposit Guarantee Fund Balance; the changes in this balance for 2013 are presented in the Statement of Income and Fund Balance.

## 7. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Corporation's financial instruments are comprised of cash, investments, receivables and accounts payable.

Cash is reported at fair value on the balance sheet. Receivables and accounts payable are reported at amortized cost which approximates fair value due to their short term nature. Investments are reported at amortized cost using the effective interest method which approximates their fair value.

## 8. NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS

The Corporation is exposed to the following risks as a result of holding financial instruments: credit risk, market risk and liquidity risk. The following is a description of those risks and how the Corporation manages the exposure to them.

***Credit Risk***

Credit risk is the risk that a financial loss will occur due to the failure of a counterparty to discharge its contractual commitment or obligation to the Corporation. Credit risk may arise principally through its investments included in the Corporation's asset portfolio.

The Corporation manages this risk by making investments in accordance with the investment policy established by the Board of Directors which permits the Corporation to invest in high quality, liquid short-term investments. Equity investments are not permitted.

**Market Risk**

Market risk arises from changes in interest rates on investments in its portfolio that affect the Corporation's net interest income. The Corporation's goal is to maximize its return on these portfolios, without taking unreasonable risk and retaining a high degree of liquidity.

The Corporation manages this risk by investing in securities that are not susceptible to significant changes in rates of return to the Corporation caused by changes in market values of the investments.

***Liquidity Risk***

Liquidity risk is the risk of having insufficient financial resources to meet the Corporation's funding requirements.

The Corporation's liquidity policies and practices include the measurement and forecast of cash flows and maintenance of a pool of high quality liquid assets.

## 9. COMMITMENTS

The Corporation has entered into a lease agreement for office space which expires December 31, 2016. The amount of the annual rent payable is $44,460 plus HST.

## 10. INCOME TAXES

Credit union assessments and assistance are excluded from the calculation of taxable income.

The undepreciated capital cost for income tax purposes of the Corporation's depreciable assets exceeds the net book value by $127,274.

The Corporation has the following non-capital losses available which can be used to reduce future years' taxable income. The potential income tax benefits associated with these items have not been recognized in the financial statements

| | |
|---|---|
| **2014** | $ 438,667 |
| **2015** | 362,558 |
| **2026** | 350,333 |
| **2027** | 255,907 |
| **2028** | 387,654 |
| **2029** | 434,292 |
| **2030** | 575,432 |
| **2031** | 654,705 |
| **2032** | 658,896 |
| **2033** | 631,274 |
| | $ 4,749,718 |

## 11. RELATED PARTY TRANSACTIONS

The Corporation's compensation, including the employers' portion of benefits, to key management personnel in 2013, which are defined by IAS 24, Related Party Disclosures, as those persons having authority and responsibility for planning, directing and controlling the activities of the Corporation, including directors and management was $226,609 (2012 - $226,399).

*Dairy Farmers of Newfoundland and Labrador*

**Financial Statements**

July 31, 2013

**Table of Contents**

FELTHAM ATTWOOD
CERTIFIED GENERAL ACCOUNTANTS

Suite 202, 39 Commonwealth Ave.
Mount Pearl, NL A1N 1W7
Tel: 709-364-7300 Fax: 709-364-7731
Partners: Debra J. Feltham, FCGA
Renee Attwood, CGA

## INDEPENDANT AUDITORS' REPORT

To the Board of Dairy Farmers of Newfoundland and Labrador

We have audited the accompanying financial statements of Dairy Farmers of Newfoundland and Labrador which comprise of the statement of financial position as at July 31, 2013, July 31, 2012, and August 1, 2011 and the statements of operations and changes in net assets and cash flows for the years ended July 31, 2013 and July 31, 2012, and a summary of the significant accounting policies and other explanatory information.

**Management's Responsibility for the Financial Statements:**
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian Public Sector Accounting Standards excluding the PS 4200 series, 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.

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

An audit invloves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 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 these financial statements present fairly, in all material respects, the financial position of Dairy Farmers of Newfoundland and Labrador as at July 31, 2013, July 31, 2012 and August 1, 2011, and its financial performance and its cash flows for the years ended July 31, 2013 and July 31, 2012, in accordance with Canadian Public Sector Accounting Standards excluding the PS 4200 series.

Feltham Attwood

**Feltham Attwood**
**Certified General Accountants**

Mount Pearl, Newfoundland
October 28, 2013

## *Dairy Farmers of Newfoundland and Labrador*

## STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

**For the year ended July 31, 2013**

| | Budget | 2013 | 2012 |
|---|---|---|---|
| Revenue | | | |
| Market share quota (Note 5) | $ - | $ 14,310,725 | $ 13,769,384 |
| Dairy Farmers of Newfoundland and Labrador Board levies | 960,000 | 976,046 | 980,902 |
| New entrants levy | 160,000 | 149,529 | 131,590 |
| Top up program | - | 17,539 | 19,286 |
| Government funding - special projects (Note 6) | - | 319,112 | 2,518,004 |
| Special project income (Note 7) | 35,000 | 37,697 | 169,484 |
| Other income | - | 1,950 | - |
| | 1,155,000 | 15,812,598 | 17,588,650 |
| | - | | |
| Direct expenditures | - | | |
| Market share quota (Note 5) | - | 14,310,725 | 13,769,384 |
| Special project costs (Note 8) | 10,000 | 336,159 | 2,701,894 |
| Fluid Milk Dairy Farmers of Canada promotion levy | 81,600 | 64,813 | 126,946 |
| Dairy Farmers of Canada ice cream promotion fund | 45,000 | 48,248 | 43,840 |
| Other direct costs | - | - | 3,000 |
| | 136,600 | 14,759,945 | 16,645,064 |
| | - | | |
| | 1,018,400 | 1,052,653 | 943,586 |
| Operating expenditures (page 9) | 947,699 | 935,957 | 916,140 |
| **Excess of revenue over expenditures** | 70,701 | 116,696 | 27,446 |
| Interest | - | 2,624 | - |
| Excess of revenue over expenditures | $ 70,701 | $ 119,320 | $ 27,446 |
| | | | |
| Net sssets, beginning of year | | $ 519,711 | $ 492,265 |
| Excess of revenue over expenditures | | 119,320 | 27,446 |
| Net assets, end of year | | $ 639,031 | $ 519,711 |

## *Dairy Farmers of Newfoundland and Labrador*
## STATEMENT OF FINANCIAL POSITION

**As at July 31, 2013**

| | July 31 2013 | July 31 2012 | August 1 2011 |
|---|---|---|---|
| **ASSETS** | | | |
| Current | | | |
| Cash and cash equivalents | $ 83,967 | $ 418,227 | $ 8,029 |
| Accounts receivable | 2,647,315 | 2,753,405 | 2,435,091 |
| HST Receivable | 8,632 | 25,278 | 9,309 |
| Prepaid expenses and deposits | 10,100 | 18,241 | 10,404 |
| | 2,750,014 | 3,215,151 | 2,462,833 |
| Capital assets (Note 2) | 4,640 | 5,966 | 5,703 |
| | $ 2,754,654 | $ 3,221,117 | $ 2,468,536 |
| **LIABILITIES** | | | |
| Current | | | |
| Payables and accruals | $ 2,059,098 | $ 2,646,260 | $ 1,914,626 |
| Deferred revenue | - | 8,599 | 18,548 |
| | 2,059,098 | 2,654,859 | 1,933,174 |
| Accrued severance pay | 51,885 | 40,581 | 37,395 |
| | 2,110,983 | 2,695,440 | 1,970,569 |
| **NET ASSETS** | | | |
| Net assets | 639,031 | 519,711 | 492,264 |
| Investment in capital assets (Note 4) | 4,640 | 5,966 | 5,703 |
| | 643,671 | 525,677 | 497,967 |
| | $ 2,754,654 | $ 3,221,117 | $ 2,468,536 |

On behalf of the Board

_______________ Director

December 10, 2013 Date

*The accompanying notes form an integral part of these financial statements*

## *Dairy Farmers of Newfoundland and Labrador*
### STATEMENT OF CASH FLOWS

**For the year ended July 31, 2013**

| | 2013 | 2012 |
|---|---|---|
| Cash flows from operating activities | | |
| Net income | $ 119,320 | $ 27,446 |
| Items not requiring an outlay of cash: | | |
| Capital expenditures | 670 | 2,103 |
| | 119,990 | 29,549 |
| Changes in non-cash working capital: | | |
| Receivables | 122,736 | (318,314) |
| Prepaid expenses | 8,140 | (7,836) |
| Payables and accruals | (587,160) | 715,666 |
| Accrued severance pay | 11,303 | 3,185 |
| Deferred income | (8,599) | (9,949) |
| | (333,590) | 412,301 |
| Cash flows used in investing activities | | |
| Purchase of property, plant, and equipment | (670) | (2,103) |
| | (670) | (2,103) |
| Increase (decrease) in cash and cash equivalents | (334,260) | 410,198 |
| Cash and cash equivalents, beginning of year | 418,227 | 8,029 |
| Cash and cash equivalents, end of year | $ 83,967 | $ 418,227 |

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

Dairy Farmers of Newfoundland and Labrador principal activities are the collection of levies to provide services to the 34 dairy farmers of Newfoundland and Labrador and the buying and reselling of industrial milk. The Board is a not-for-profit organization and is exempt from paying income tax under Section 149 of the Canadian Income Tax Act. They are a Commodity Board under the Natural Products Marketing Act.

## 1. Summary of significant accounting policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles as recommended by the Public Sector Accounting Board (PSAB). The adoption of these standards was effective January 1, 2012. Significant accounting policies adopted are outlined below.

### Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditures during the year. Significant areas of estimation include assumptions used in estimating amortization of tangible capital assets, provisions for accrued liabilities, and in performing actuarial valuations of employee future benefits. Actual results could differ from these estimates.

### Revenue recognition

Market sharing quota revenue including industrial milk, pooling charges, transportation and promotion levy is recognized when milk is shipped out of province to dairies in New Brunswick and Nova Scotia.

Board levies are recognized on a monthly basis as earned from each of the dairy farmers.

Government funding for specific projects are recognized as the related expenses are incurred.

### Cash and cash equivalents

Cash and cash equivalents include cash on hand and balances with banks. Bank borrowings are considered to be financing activities.

**Capital assets**

As non-financial assets, tangible capital assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

Tangible capital assets are recorded at cost, which includes amounts that are directly attributable to acquisition, construction, development, or betterment of the asset. The cost, less residual value, of the tangible capital assets is amortized over their estimated useful lives on a declining balance basis.

Estimated useful lives and amortization methods are reviewed at the end of each year and adjusted on a prospective basis, if necessary. The rates for significant classes of tangible capital assets are indicated in note 2.

**Severance pay**

Severance pay is accounted for on a accrual basis and is calculated based upon years of service and current salary levels. The right to receive severance pay vests with employees with five or ten years (depending on contract) of continual service, and accordingly no provision has been made in the accounts for employees with less than five years of continual service. The amount is payable when the employee ceases employment with the Board.

## 2. Capital assets

| | Rate | Cost | Accumulated Amortization | Net Book Value 2013 | Net Book Value 2012 |
|---|---|---|---|---|---|
| Computer equipment | 45% | $ 10,830 | $ 9,064 | $ 1,766 | $ 2,374 |
| Furniture and equipment | 20% | 39,218 | 36,345 | 2,873 | 3,592 |
| | | $ 50,048 | $ 45,409 | $ 4,640 | $ 5,966 |

## 3. Bank indebtedness

The Board has an approved line of credit of $600,000 with the Canadian Imperial Bank of Commerce at an interest rate of prime. As security the Board has provided a general security agreement providing a first charge on all assets. At July 31, 2013, there was a balance of $nil (2012 - $nil) outstanding on the line of credit.

## 4. Investment in capital assets

| | 2013 | 2012 |
|---|---|---|
| Balance, beginning of year | $ 5,966 | $ 5,703 |
| Capital expenditures | 670 | 2,103 |
| Depreciation | (1,996) | (1,840) |
| | $ 4,640 | $ 5,966 |

## 5. Market share quota

| | 2013 | 2012 |
|---|---|---|
| Revenue | | |
| Industrial milk | $ 11,289,274 | $ 10,870,918 |
| Canadian Dairy Commissions pooling charges | 1,622,791 | 1,494,076 |
| Transportation | 1,246,609 | 1,256,426 |
| Dairy Farmers of Canada promotion levy | 150,830 | 147,964 |
| Five Brothers Cheese | 1,221 | - |
| | $ 14,310,725 | $ 13,769,384 |
| Direct expenditures | | |
| Industrial milk | $ 11,289,274 | $ 10,870,918 |
| Canadian Dairy Commissions pooling charges | 1,622,791 | 1,494,076 |
| Transportation | 1,246,609 | 1,256,426 |
| Dairy Farmers of Canada promotion levy | 150,830 | 147,964 |
| Five Brothers Cheese | 1,221 | - |
| | $ 14,310,725 | $ 13,769,384 |

## 6. Government funding - special projects

The Board received Government funding for the following projects:

| | 2013 | 2012 |
|---|---|---|
| Land Development Initiative | $ 286,416 | $ 2,476,028 |
| True Grit Sand Separator | - | 9,050 |
| Udder Health and Mastitis | - | 11,626 |
| Alternative Bedding | 13,678 | 9,949 |
| Advancing NL Dairy Industry | - | 11,626 |
| Profit profiler | 13,745 | - |
| Nutrient Management Planning | 5,273 | - |
| | $ 319,112 | $ 2,518,004 |

## 7. Special project income

| | | 2013 | 2012 |
|---|---|---|---|
| Tank Callibration Revenue | $ | - | 11,800 |
| DFC Annual Policy Conference | | 37,697 | 150,471 |
| CQM St. John's Meeting | | - | 7,213 |
| | $ | 37,697 | 169,484 |

## 8. Special project costs

| | | 2013 | | 2012 |
|---|---|---|---|---|
| Land Development Initiative | $ | 286,416 | $ | 2,476,074 |
| DFC Annual Policy Conferecne 2012 | | 10,348 | | 155,443 |
| CQM Meeting | | - | | 1,829 |
| Cost of Production Update | | 3,635 | | 3,696 |
| Tank Callibration | | - | | 17,700 |
| Udder Health and Mastitis | | - | | 11,351 |
| CQM Rebate | | - | | 9,050 |
| Advancing NL Dairy Industry | | - | | 14,315 |
| Profit profiler | | 16,170 | | - |
| Nutrient Management Planning | | 5,273 | | - |
| Atlantic John's Disease Initiative | | 14,317 | | - |
| Other | | - | | 12,436 |
| | $ | 336,159 | $ | 2,701,894 |

## 9. Commitments

The Board has commitments for the lease of office space and equipment for the next three years as follows: 2014 - $20;582; 2015 - $20,259; and 2016 -$20,259.

Dairy Farmers of Newfoundland and Labrador entered into an agreement with Government of Canada for a research project for research in processing of cool climate silage maise. The project researched the effects on chemical composition, voluntary intake, digestibility, rumen degradation and milk yield.

## 10.Capital management

The capital structure of the Board consists of investment in capital assets, and net assets. The primary objective of the Boards' capital management is to provide adequate funding to ensure efficient delivery of its services and activities to dairy farmers.

Investment in capital assets represents the amount of net assets that are not available for other purposes because they have been invested.

Net assets are funds available for future operations and are preserved so that the Board can have financial flexibility should opportunities arise in the future.

For the year end July 31, 2013, the Board has complied with all imposed capital restrictions.

## 11.Comparative figures

Comparative figures may have been restated to reflect the financial statement presentation adopted for 2013.

*Dairy Farmers of Newfoundland and Labrador*

**SCHEDULE OF OPERATING EXPENSES**
**For the year ended July 31, 2013**

| | Budget | 2013 | 2012 |
|---|---|---|---|
| Advertising | $ 40,000 | $ 8,560 | $ 18,657 |
| Board annual and semi-annual meetings | 20,000 | 16,074 | 16,660 |
| Capital expenditures | - | 670 | 2,102 |
| Conference and meetings | 30,000 | 19,154 | 22,254 |
| CDC audit fees | 10,000 | 10,000 | - |
| CQM initiatve payment | 3,500 | 4,400 | - |
| Donations,dues and subscriptions | 18,000 | 20,759 | 16,491 |
| Equipment leasing | 4,000 | 2,873 | 3,614 |
| Federation of Agriculture | 22,500 | 22,500 | 22,500 |
| Honorarium | 9,600 | 9,600 | 9,600 |
| Insurance | 2,000 | 1,825 | 1,815 |
| Interest and bank charges | 4,000 | 871 | 3,477 |
| Iodine testing | - | 1,129 | - |
| Milk testing | 3,000 | 4,702 | 2,284 |
| Miscellaneous | 1,000 | 1,735 | 2,805 |
| National cost of production study | | | 9,500 |
| Office supplies and postage | 8,000 | 8,361 | 8,398 |
| Per diems | 30,400 | 24,305 | 26,540 |
| Professional fees | 20,000 | 14,265 | 41,465 |
| Research | 18,000 | 10,000 | 10,000 |
| Rent | 8,000 | 14,851 | 19,790 |
| Repairs and maintenance | 2,000 | 2,029 | 1,982 |
| School Milk Foundation | 339,665 | 339,665 | 339,665 |
| Telephone and utilities | 12,000 | 10,230 | 9,820 |
| Travel | 55,000 | 70,526 | 51,815 |
| Wages and benefits | 287,034 | 316,873 | 274,906 |
| | $ 947,699 | $ 935,957 | $ 916,140 |

*The accompanying notes form an integral part of these financial statements*

# DIRECTOR OF SUPPORT ENFORCEMENT

## FINANCIAL STATEMENTS

## MARCH 31, 2014

## INDEPENDENT AUDITOR'S REPORT

To the Director of Support Enforcement
Corner Brook, Newfoundland and Labrador

### Report on the Financial Statements

I have audited the accompanying financial statements of the Director of Support Enforcement, which comprise the balance sheet as at March 31, 2014, and the statement of receipts and disbursements for the year then ended, and a summary of significant accounting policies and other explanatory information.

*Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the information needs of the Director of Support Enforcement and the Government of Newfoundland and Labrador under Section 9 of the *Support Orders Enforcement Act, 2006*, 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.

*Auditor's Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 financial statements.

## Independent Auditor's Report (cont.)

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

*Opinion*

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Director of Support Enforcement as at March 31, 2014, and its receipts and disbursements for the year then ended in accordance with the accounting policies described in note 1 to these financial statements.

*Basis of Accounting*

Without modifying my opinion, I draw attention to note 1 to the financial statements, which describes the basis of accounting. The financial statements are prepared solely for the information of the Director of Support Enforcement and the Government of Newfoundland and Labrador to meet their information needs under Section 9 of the *Support Orders Enforcement Act, 2006*. The financial statements are not intended to be and should not be used by anyone other than the specified users or for any other purpose.

**TERRY PADDON, CA**
**Auditor General**

June 6, 2014
St. John's, Newfoundland and Labrador

## DIRECTOR OF SUPPORT ENFORCEMENT
### BALANCE SHEET

| March 31 | 2014 | 2013 |
|---|---|---|
| **ASSETS** | | |
| Cash | $ 993,769 | $ 949,082 |
| Accounts receivable (Note 2) | 23,217,954 | 21,483,431 |
| Other receivables (Note 3) | 18,979 | 11,637 |
| | $ 24,230,702 | $ 22,444,150 |
| **LIABILITIES** | | |
| Accounts payable (Note 4) | $ 24,197,282 | $ 22,410,997 |
| Other payables (Note 5) | 33,420 | 33,153 |
| | $ 24,230,702 | $ 22,444,150 |

*See accompanying notes*

**Signed:** ______________________
**Director**

## DIRECTOR OF SUPPORT ENFORCEMENT
### STATEMENT OF RECEIPTS AND DISBURSEMENTS

| For the Year Ended March 31 | 2014 | 2013 |
|---|---|---|
| **RECEIPTS** | | |
| Regular support | $ 36,397,093 | $ 34,051,697 |
| Out-of-system support | 1,006,661 | 1,071,632 |
| | 37,403,754 | 35,123,329 |
| **DISBURSEMENTS** | | |
| Regular support | 35,814,303 | 33,631,262 |
| Out-of-system support | 1,006,661 | 1,071,632 |
| Other payments | 538,103 | 371,550 |
| | 37,359,067 | 35,074,444 |
| **Excess of receipts over disbursements** | 44,687 | 48,885 |
| **Cash, beginning of year** | 949,082 | 900,197 |
| **Cash, end of year** | $ 993,769 | $ 949,082 |

*See accompanying notes*

## Authority

The Director of Support Enforcement operates under the authority of the *Support Orders Enforcement Act, 2006*. Under this *Act*, the Director is responsible for enforcing court ordered support payments and for acting on behalf of the Attorney General in matters arising pursuant to the *Interjurisdictional Support Orders Act*.

The Director of Support Enforcement operates as a division of the Department of Justice and as such is not subject to Provincial or Federal income taxes.

## 1. Basis of accounting

These financial statements have been prepared by the Director of Support Enforcement in accordance with the significant accounting policies set out below to meet the information needs of the Director of Support Enforcement and the Government of Newfoundland and Labrador under Section 9 of the *Support Orders Enforcement Act, 2006*. The basis of accounting used in these financial statements materially differs from Canadian generally accepted accounting principles because all receipts and disbursements are being recognized on a cash basis and not all expenditures related to the operations of the Director of Support Enforcement are reflected in these statements.

### Summary of significant accounting policies

Outlined below are the significant accounting policies followed.

(a) Administrative expenditures

The Director of Support Enforcement, for administrative purposes, operates as a division of the Department of Justice. Therefore, expenditures related to salaries, accommodations and administration are absorbed by the Department of Justice and no provision has been made in these financial statements for the cost of these items.

(b) Assets and liabilities

Assets are comprised of cash in bank and accounts receivable from debtors. Liabilities are comprised of accounts payable due to creditors.

(c) Receipts and disbursements

Receipts are recorded when amounts are received from debtors and disbursements are recorded when amounts are paid to creditors. Amounts paid directly to creditors by debtors are recorded as out-of-system support while amounts received by the Director of Support Enforcement are recorded as regular support. Amounts refunded to debtors or remitted to the Province are recorded as other payments.

## 2. Accounts receivable

Accounts receivable are comprised of amounts owing from debtors on registered support orders. The receivables are classified as follows:

| | 2014 | 2013 |
|---|---|---|
| Unenforceable support orders | | |
| Debtor out of Province - interjurisdictional support orders | $ 9,527,570 | $ 9,553,951 |
| Debtor in receipt of income support | 2,470,951 | 2,329,040 |
| Stay of enforcement in place | 2,609,413 | 2,466,092 |
| | 14,607,934 | 14,349,083 |
| Enforceable support orders | 8,610,020 | 7,134,348 |
| | $ 23,217,954 | $ 21,483,431 |

## 3. Other receivables

Other receivables of $18,979 (2013 - $11,637) represent payments made to creditors when the corresponding debtor cheque was not negotiable or the payment was made in error.

## 4. Accounts payable

Accounts payable are comprised of amounts owing to creditors in accordance with registered support orders. The payables are classified as follows:

| | 2014 | 2013 |
|---|---|---|
| Unenforceable support orders | | |
| Debtor out of Province - interjurisdictional support orders | $ 9,527,570 | $ 9,553,951 |
| Debtor in receipt of income support | 2,470,951 | 2,329,040 |
| Stay of enforcement in place | 2,609,413 | 2,466,092 |
| | 14,607,934 | 14,349,083 |
| Enforceable support orders | 9,589,348 | 8,061,914 |
| | $ 24,197,282 | $ 22,410,997 |

**5. Other payables**

Other payables of $33,420 (2013 - $33,153) represent funds which have not been assigned to any debtor account. These amounts may eventually be paid to the Newfoundland Exchequer Account.

**6. Related party transactions**

The Director of Support Enforcement operates as a division of the Department of Justice. Expenses of $904,635 (2013 - $954,266) related to salaries, accommodations and administration are paid directly by the Department and no provision is made in these financial statements to reflect these expenditures.

During the year the Director of Support Enforcement paid approximately $1.9 million (2013 - $1.7 million) to the Department of Advanced Education and Skills related to support payments collected on behalf of individuals receiving income support.

**7. Financial instruments**

The Director of Support Enforcement's financial instruments recognized on the balance sheet consist of cash, accounts receivable, other receivables, accounts payable and other payables. The carrying values of these instruments approximate current fair value due to their nature and the short-term maturity associated with them.

Consolidated Financial Statements

# Eastern Regional Health Authority

March 31, 2014

Building a better working world

# STATEMENT OF MANAGEMENT RESPONSIBILITY

The accompanying consolidated financial statements of the **Eastern Regional Health Authority** [the "Authority"] as at and for the year ended March 31, 2014 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 the notes to the consolidated financial statements and schedules.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management developed and maintains systems of internal control to provide reasonable assurance that transactions are properly authorized and recorded, proper records are maintained, assets are safeguarded, and the Authority complies with applicable laws and regulations.

The external auditor, Ernst & Young LLP, conducts an independent examination in accordance with Canadian generally accepted auditing standards and expresses an opinion on the consolidated financial statements for the year ended March 31, 2014.

| | |
|---|---|
| George Butt, CA | Chris O'Grady, CGA |
| Vice President, Corporate Services | Director of Financial Services |

# INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of the
**Eastern Regional Health Authority**

We have audited the accompanying consolidated financial statements of the **Eastern Regional Health Authority**, which comprise the consolidated statement of financial position as at March 31, 2014, and the consolidated statements of operations and accumulated deficit, changes in net debt and cash flows for the year then ended, and 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 the auditors' 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, the auditors 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 financial position of the **Eastern Regional Health Authority** as at March 31, 2014 and the results of its operations, changes in its net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Ernst & Young LLP

St. John's, Canada,
June 25, 2014.

Chartered Accountants

Eastern Regional Health Authority

# CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED DEFICIT

Year ended March 31
[in thousands of dollars]

| | Budget<br>$<br>*[note 21]* | 2014<br>$ | 2013<br>$ |
|---|---|---|---|
| **Revenue** | | | |
| Provincial plan | 1,175,985 | **1,175,985** | 1,149,258 |
| MCP | 75,567 | **75,697** | 74,483 |
| Provincial plan capital grant | — | **22,121** | 23,497 |
| Other | 35,932 | **38,776** | 39,302 |
| Resident | 18,405 | **17,711** | 18,560 |
| Inpatient | 12,498 | **13,302** | 10,779 |
| Outpatient | 8,369 | **8,061** | 9,091 |
| Other capital contributions | — | **5,758** | 6,713 |
| Cottages and Hostels operations | — | **2,322** | 2,906 |
| | 1,326,756 | **1,359,733** | 1,334,589 |
| **Expenses** | | | |
| Patient and resident services | 354,299 | **361,334** | 362,744 |
| Client services | 223,984 | **218,638** | 210,918 |
| Diagnostic and therapeutic | 189,707 | **188,356** | 179,020 |
| Support | 159,287 | **165,421** | 163,796 |
| Ambulatory care | 138,635 | **145,620** | 142,729 |
| Administration | 115,334 | **115,961** | 113,834 |
| Medical services | 98,620 | **100,351** | 98,761 |
| Amortization of tangible capital assets | — | **43,334** | 32,578 |
| Research and education | 16,410 | **15,735** | 16,526 |
| Interest on long-term debt | 10,187 | **9,354** | 9,469 |
| Other | 18,335 | **5,294** | 8,000 |
| Accrued severance pay (recovery) | — | **(3,576)** | 6,845 |
| Accrued sick leave (recovery) | — | **(3,783)** | 1,799 |
| Accrued vacation pay (recovery) | — | **185** | (686) |
| Cottages and Hostels operations | — | **1,859** | 1,802 |
| | 1,324,798 | **1,364,083** | 1,348,135 |
| **Annual deficit** | 1,958 | **(4,350)** | (13,546) |
| Public Health Laboratory transfer | — | **(219)** | — |
| Accumulated deficit, beginning of year | — | **(76,130)** | (62,584) |
| **Accumulated deficit, end of year** | | **(80,699)** | (76,130) |

*See accompanying notes*

A member firm of Ernst & Young Global Limited

## Eastern Regional Health Authority

# CONSOLIDATED STATEMENT OF CHANGES IN NET DEBT

Year ended March 31
[in thousands of dollars]

| | Budget<br>$<br>*[note 21]* | 2014<br>$ | 2013<br>$ |
|---|---|---|---|
| **Annual deficit** | — | **(4,350)** | (13,546) |
| **Changes in tangible capital assets** | | | |
| Acquisition of tangible capital assets | — | **(27,879)** | (31,013) |
| Amortization of tangible capital assets | — | **43,334** | 32,578 |
| **Decrease in net book value of tangible capital assets** | — | **15,455** | 1,565 |
| **Changes in other non-financial assets** | | | |
| Net (increase) decrease in prepaid expenses | — | **(823)** | 2,211 |
| Net increase in supplies inventory | — | **(140)** | (892) |
| **(Increase) decrease in other non-financial assets** | — | **(963)** | 1,319 |
| **Decrease (increase) in net debt** | — | **10,142** | (10,662) |
| Net debt – beginning of year | — | **(456,903)** | (446,241) |
| Public Health Laboratory transfer | — | **(717)** | — |
| **Net debt – end of year** | — | **(447,478)** | (456,903) |

*See accompanying notes*

**Eastern Regional Health Authority**

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at March 31
[in thousands of dollars]

| | 2014<br>$ | 2013<br>$ |
|---|---|---|
| **Financial assets** | | |
| Cash and cash equivalents | — | 13,896 |
| Accounts receivable *[note 3]* | **24,940** | 31,811 |
| Due from government/other government entities *[note 4]* | **107,910** | 63,598 |
| Replacement reserve fund *[note 12]* | **704** | 732 |
| Sinking fund investment *[note 11]* | **14,969** | 13,506 |
| | **148,523** | 123,543 |
| **Liabilities** | | |
| Bank indebtedness *[note 6]* | **2,771** | — |
| Accounts payable and accrued liabilities *[note 7]* | **107,087** | 106,105 |
| Due to government/other government entities *[note 8]* | **25,788** | 27,170 |
| Employee future benefits | | |
| Accrued sick leave *[note 18]* | **59,654** | 63,307 |
| Accrued severance pay *[note 17]* | **110,841** | 113,947 |
| Accrued vacation pay | **47,779** | 47,459 |
| Deferred contributions *[note 9]* | | |
| Deferred capital grants | **80,190** | 65,984 |
| Deferred operating contributions | **20,883** | 12,910 |
| Replacement reserve fund *[note 12]* | **704** | 732 |
| Long-term debt *[note 10]* | **140,304** | 142,832 |
| | **596,001** | 580,446 |
| **Net debt** | **(447,478)** | (456,903) |
| **Non-financial assets** | | |
| Tangible capital assets *[note 5]* | **346,326** | 361,283 |
| Supplies inventory | **15,537** | 15,397 |
| Prepaid expenses | **4,916** | 4,093 |
| | **366,779** | 380,773 |
| **Accumulated deficit** | **(80,699)** | (76,130) |

Contingencies *[note 15]*

Contractual obligations *[note 16]*

*See accompanying notes*

Approved by the Board:

_________________ Director _________________ Director

EY A member firm of Ernst & Young Global Limited

**Eastern Regional Health Authority**

# CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended March 31
[in thousands of dollars]

| | 2014<br>$ | 2013<br>$ |
|---|---|---|
| **Operating transactions** | | |
| Annual deficit | **(4,350)** | (13,546) |
| Adjustments for: | | |
| Amortization of tangible capital assets | **43,334** | 32,578 |
| Capital grants | **(27,879)** | (30,210) |
| (Decrease) increase in accrued severance pay | **(3,576)** | 6,845 |
| (Decrease) increase in accrued sick leave | **(3,783)** | 1,799 |
| Net change in non-cash assets and liabilities related to operations *[note 13]* | **(16,422)** | 14,668 |
| **Cash (used in) provided by operating transactions** | **(12,676)** | 12,134 |
| **Capital transactions** | | |
| Acquisition of tangible capital assets | **(27,879)** | (31,013) |
| Tangible capital asset contributions | **27,879** | 30,210 |
| **Cash used in capital transactions** | — | (803) |
| **Investing transactions** | | |
| Sinking fund payments | **(1,463)** | (1,443) |
| **Cash used in investing transactions** | **(1,463)** | (1,443) |
| **Financing transactions** | | |
| Repayment of long-term debt | **(2,528)** | (3,038) |
| **Cash used in financing transactions** | **(2,528)** | (3,038) |
| **Net (decrease) increase in cash during the year** | **(16,667)** | 6,850 |
| Cash and cash equivalents, beginning of year | **13,896** | 7,046 |
| **(Bank indebtedness) cash and cash equivalents, end of year** | **(2,771)** | 13,896 |
| **Supplementary disclosure of cash flow information** | | |
| Interest paid | **9,354** | 9,596 |

*See accompanying notes*

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2014
[All amounts are in Canadian dollars, except amounts disclosed in tables, which are presented in thousands of Canadian dollars]

## 1. NATURE OF OPERATIONS

The Eastern Regional Health Authority ["Eastern Health" or the "Authority"] is responsible for the governance of health services in the Eastern Region of the Province of Newfoundland and Labrador [the "Province"].

The mandate of Eastern Health spans the full health continuum, including primary and secondary level health and community services for the Eastern Region [Avalon, Bonavista and Burin Peninsulas, west to Port Blandford], as well as tertiary and other provincial programs/services for the entire Province. The Authority also has a mandate to work to improve the overall health of the population through its focus on public health as well as on health promotion and prevention initiatives. Services are both community and institutional based. In addition to the provision of comprehensive health care services, Eastern Health also provides education and research in partnership with all stakeholders.

Effective April 1, 2013, the operations of the Public Health Laboratory ["PHL"] were transferred to Eastern Health. PHL was not a separate legal entity; it was a component of the provincial government of the Province. Prior to April 1, 2013, separate financial statements of PHL were prepared. From April 1, 2013 onwards, the assets, liabilities, revenues and expenses associated with the operations and activities of PHL have been recorded by Eastern Health. Comparative financial statements have not been restated as it is not material to Eastern Health.

Eastern Health is a registered charity and, while registered, is exempt from income taxes.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Basis of accounting

The consolidated financial statements have been prepared in accordance with Canadian accepted accounting principles established by the Public Sector Accounting Standards Board of the Chartered Professional Accountants of Canada.

The significant accounting policies used in the preparation of these consolidated financial statements are as follows:

### Basis of presentation

These consolidated financial statements reflect the assets, liabilities, revenue and expenses of the reporting entity, which is composed of all organizations that are controlled by Eastern Health. These organizations are listed under basis of consolidation. Trusts administered by Eastern Health are not included in the consolidated statement of financial position *[note 14]*.

The Authority has also prepared separate non-consolidated financial statements for the operations of the operating fund of Eastern Health.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [Cont'd]

### Principles of consolidation

The Authority controls the General Hospital Hostel Association, Northwest Rotary – Janeway Hostel Corporation, Lions Manor Inc., TCRHB Housing Complex Inc., Blue Crest Cottages and Golden Heights Manor Cottages [together with Eastern Health, collectively referred to herein as "Eastern Health" or the "Authority"]. These entities were established to provide accommodations for family members of patients and housing to senior citizens. These entities are consolidated in the consolidated financial statements.

### Revenue recognition

Provincial plan revenue without eligibility criteria and stipulations restricting their use are recognized as revenue when the government transfers are authorized.

Government transfers with stipulations restricting their use are recognized as revenue when the transfer is authorized and the eligibility criteria are met by the Authority, except when and to the extent the transfer gives rise to an obligation that constitutes a liability. When the transfer gives rise to an obligation that constitutes a liability, the transfer is recognized in revenue when the liability is settled.

Medical Care Plan ["MCP"], inpatient, outpatient and residential revenues are recognized in the period services are provided.

The Authority is funded by the Department of Health and Community Services [the "Department"] for the total of its operating costs, after deduction of specified revenue and expenses, to the extent of the approved budget. The final amount to be received by the Authority for a particular fiscal year will not be determined until the Department has completed its review of the Authority's consolidated financial statements. Adjustments resulting from the Department's review and final position statement will be considered by the Authority and reflected in the period of assessment. There were no changes from the previous year.

Other revenue includes dietary revenue, shared salaries and services, and rebates and salary recoveries from Workplace, Health, Safety and Compensation Commission of Newfoundland and Labrador [the "Commission"]. Rebates and salary recovery amounts are recorded once the amounts to be recorded are known and confirmed by the Commission.

### Expenses

Expenses are recorded on the accrual basis as they are incurred and measurable based on receipt of goods or services and an obligation to pay.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [Cont'd]

### Asset classification

Assets are classified as either financial or non-financial. Financial assets are assets that could be used to discharge existing liabilities or finance future operations and are not to be consumed in the normal course of operations. Non-financial assets are acquired, constructed or developed assets that do not provide resources to discharge existing liabilities but are employed to deliver healthcare services, may be consumed in normal operations and are not for resale.

### Cash and cash equivalents

Cash includes cash on hand and balances with banks.

### Inventory

Inventory is valued at the lower of cost and net realizable value, determined on a first-in, first-out basis.

### Tangible capital assets

Tangible capital assets are recorded at historical cost. Certain tangible capital assets, including buildings utilized by the Authority, are not reflected in these consolidated financial statements as legal title is held by the Government of Newfoundland and Labrador [the "Government"]. The Government does not charge the Authority any amounts for the use of such assets. Certain additions and improvements made to such tangible capital assets are paid for by the Authority and are reflected in the consolidated financial statements of the Authority.

Amortization is calculated on a straight-line or declining balance basis at the rates set out below.

It is expected that these rates will charge operations with the total cost of the assets less estimated salvage value over the useful lives of the assets as follows:

| | |
|---|---|
| Land improvements | 10 years |
| Buildings and improvements | 40 years |
| Equipment | 5 – 7 years |
| Equipment under capital leases | 7 – 10 years |

Gains and losses on disposal of individual assets are recognized in operations in the period of disposal.

Construction in progress is not amortized until the project is substantially complete at which time the project costs are transferred to the appropriate asset class and amortized accordingly.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [Cont'd]

### Impairment of long-lived assets

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

### Capital and operating leases

A lease that transfers substantially all of the benefits and risks associated with ownership of property is accounted for as a capital lease. At the inception of a capital lease, an asset and an obligation are recorded at an amount equal to the lesser of the present value of the minimum lease payments and the asset's fair value. Assets acquired under capital leases are amortized on the same basis as other similar capital assets. All other leases are accounted for as operating leases and the payments are expensed as incurred.

### Accrued vacation pay

Vacation pay is accrued for all employees as entitlement is earned.

### Employee future benefits

#### Accrued severance

Employees are entitled to severance benefits as stipulated in their conditions of employment. The right to be paid severance pay vests with employees with nine years of continual service with Eastern Health or another public sector employer. Severance is payable when the employee ceases employment with Eastern Health or the public sector employer. The severance benefit obligation has been actuarially determined using assumptions based on management's best estimates of future salary and wage changes, employee age, years of service, the probability of voluntary departure due to resignation or retirement, the discount rate and other factors. Discount rates are based on the Province's long-term borrowing rate. Actuarial gains and losses are deferred and amortized over the average remaining service life of employees.

#### Accrued sick leave

Employees of Eastern Health are entitled to sick leave benefits that accumulate but do not vest. In accordance with PSA for post-employment benefits and compensated balances, Eastern Health recognizes the liability in the period in which the employee renders service. The obligation is actuarially determined using assumptions based on management's best estimates of the probability of use of accrued sick leave, future salary and wage changes, employee age, the probability of departure, retirement age, the discount rate and other factors. Discount rates are based on the Province's long-term borrowing rate. Actuarial gains and losses are deferred and amortized over the average remaining service life of employees.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2014
[All amounts are in Canadian dollars, except amounts disclosed in tables, which are presented in thousands of Canadian dollars]

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [Cont'd]

### Pension costs

Employees are members of the Public Service Pension Plan and/or the Government Money Purchase Plan [the "Plans"] administered by the Government. Contributions to the Plans are required from both the employees and Eastern Health. The annual contributions for pensions are recognized as an expense as incurred and amounted to $38,848,645 for the year ended March 31, 2014 [2013 – $40,745,698].

### Sinking funds

Sinking funds established for the partial retirement of Eastern Health's sinking fund debenture are held and administered in trust by the Government.

### Contributed services

Volunteers contribute a significant amount of their time each year assisting Eastern Health in carrying out its service delivery activities. Due to the difficulty in determining fair value, contributed services are not recognized in these consolidated financial statements.

### Financial instruments

Financial instruments are classified in one of the following categories: [i] fair value or [ii] cost or amortized cost. The Authority determines the classification of its financial instruments at initial recognition.

Senior unsecured debentures and other long-term debt are initially recorded at fair value and subsequently measured at amortized cost using the effective interest rate method. Transaction costs related to the issuance of long-term debt are capitalized and amortized over the term of the instrument.

Cash and cash equivalents are classified at fair value. Other financial instruments, including accounts receivable, sinking fund investment, accounts payable and accrued liabilities, due to/from government/other government entities and long-term debt are initially recorded at their fair value and are subsequently measured at amortized cost, net of any provisions for impairment.

### Use of estimates

The preparation of consolidated financial statements in conformity with PSA requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. Areas requiring the use of management estimates include the assumptions used in the valuation of employee future benefits. Actual results could differ from these estimates.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2014
[All amounts are in Canadian dollars, except amounts disclosed in tables, which are presented in thousands of Canadian dollars]

## 3. ACCOUNTS RECEIVABLE

Accounts receivable consist of the following:

| | 2014 | | | | | |
|---|---|---|---|---|---|---|
| | | | Past due | | | |
| | Total $ | Current $ | 1-30 days $ | 31-60 days $ | 61-90 days $ | Over 90 days $ |
| Services to patients, residents and clients | **16,523** | **926** | **3,065** | **3,139** | **1,692** | **7,701** |
| Other | **11,858** | **4,340** | **—** | **—** | **—** | **7,518** |
| Gross receivables | **28,381** | **5,266** | **3,065** | **3,139** | **1,692** | **15,219** |
| Less: impairment allowance | **(3,441)** | **—** | **—** | **—** | **—** | **(3,441)** |
| **Net accounts receivable** | **24,940** | **5,266** | **3,065** | **3,139** | **1,692** | **11,778** |

| | 2013 | | | | | |
|---|---|---|---|---|---|---|
| | | | Past due | | | |
| | Total $ | Current $ | 1-30 days $ | 31-60 days $ | 61-90 days $ | Over 90 days $ |
| Services to patients, residents and clients | 14,570 | 1,025 | 2,765 | 2,878 | 1,609 | 6,293 |
| Other | 19,634 | 11,433 | — | — | — | 8,201 |
| Gross receivables | 34,204 | 12,458 | 2,765 | 2,878 | 1,609 | 14,494 |
| Less: impairment allowance | 2,393 | — | — | — | — | 2,393 |
| **Net accounts receivable** | 31,811 | 12,458 | 2,765 | 2,878 | 1,609 | 12,101 |

## 4. DUE FROM GOVERNMENT/OTHER GOVERNMENT ENTITIES

| | 2014 $ | 2013 $ |
|---|---|---|
| Government of Newfoundland and Labrador | **105,249** | 60,279 |
| Other government entities | **2,661** | 3,319 |
| | **107,910** | 63,598 |

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2014
[All amounts are in Canadian dollars, except amounts disclosed in tables, which are presented in thousands of Canadian dollars]

## 5. TANGIBLE CAPITAL ASSETS

| | Land and land improvements $ | Buildings and improvements $ | Equipment $ | Equipment under capital leases $ | Construction in progress $ | Total $ |
|---|---|---|---|---|---|---|
| **2014** | | | | | | |
| **Cost** | | | | | | |
| Opening balance | **3,204** | **377,723** | **460,286** | **15,445** | **49,317** | **905,975** |
| Opening PHL | **—** | **—** | **3,109** | **—** | **—** | **3,109** |
| Additions (transfers) | **—** | **19,014** | **18,793** | **—** | **(9,928)** | **27,879** |
| Closing balance | **3,204** | **396,737** | **482,188** | **15,445** | **39,389** | **936,963** |
| **Accumulated amortization** | | | | | | |
| Opening balance | **568** | **160,650** | **368,030** | **15,445** | **—** | **544,693** |
| Opening PHL | **—** | **—** | **2,610** | **—** | **—** | **2,610** |
| Additions | **7** | **20,198** | **23,129** | **—** | **—** | **43,334** |
| Closing balance | **575** | **180,848** | **393,769** | **15,445** | **—** | **590,637** |
| **Net book value** | **2,629** | **215,889** | **88,419** | **—** | **39,389** | **346,326** |

| | Land and land improvements $ | Buildings and improvements $ | Equipment $ | Equipment under capital leases $ | Construction in progress $ | Total $ |
|---|---|---|---|---|---|---|
| **2013** | | | | | | |
| **Cost** | | | | | | |
| Opening balance | 3,204 | 366,270 | 441,932 | 15,445 | 48,221 | 875,072 |
| Additions | — | 11,453 | 18,464 | — | 1,096 | 31,013 |
| Disposals | — | — | (110) | — | — | (110) |
| Closing balance | 3,204 | 377,723 | 460,286 | 15,445 | 49,317 | 905,975 |
| **Accumulated amortization** | | | | | | |
| Opening balance | 560 | 150,722 | 346,057 | 14,885 | — | 512,224 |
| Additions | 7 | 9,928 | 22,083 | 560 | — | 32,578 |
| Disposals | — | — | (110) | — | — | (110) |
| Closing balance | 567 | 160,650 | 368,030 | 15,445 | — | 544,692 |
| **Net book value** | 2,637 | 217,073 | 92,256 | — | 49,317 | 361,283 |

During 2014, the Authority recorded an impairment of certain building and equipment in the amount of $9,995,000 due to conditions indicating that the future economic benefits associated with the underlying assets are less than the net book value. This has been included in amortization expense.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2014
[All amounts are in Canadian dollars, except amounts disclosed in tables, which are presented in thousands of Canadian dollars]

## 6. BANK INDEBTEDNESS

The Authority has access to lines of credit totalling $64,000,000 in the form of revolving demand loans and/or bank overdrafts at its financial institution, which was unused as at March 31, 2014 [2013 – $64,000,000]. The Authority's ability to borrow has been approved by the Province's Minister of Health and Community Services.

## 7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| | 2014<br>$ | 2013<br>$ |
|---|---|---|
| Accounts payable and accrued liabilities | **66,773** | 59,175 |
| Salaries and wages payable | **38,089** | 42,435 |
| Employee/employer remittances | **2,225** | 4,495 |
| | **107,087** | 106,105 |

## 8. DUE TO GOVERNMENT/OTHER GOVERNMENT ENTITIES

| | 2014<br>$ | 2013<br>$ |
|---|---|---|
| Federal government | **11,826** | 11,007 |
| Government of Newfoundland and Labrador | **7,914** | 10,408 |
| Other government entities | **6,048** | 5,755 |
| | **25,788** | 27,170 |

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2014
[All amounts are in Canadian dollars, except amounts disclosed in tables, which are presented in thousands of Canadian dollars]

## 9. DEFERRED REVENUE

| | 2014<br>$ | 2013<br>$ |
|---|---|---|
| **Deferred capital grants [a]** | | |
| Balance at beginning of year | **65,984** | 50,597 |
| Receipts during the year | **42,085** | 45,597 |
| Recognized in revenue during the year | **(27,879)** | (30,210) |
| Balance at end of year | **80,190** | 65,984 |
| **Deferred operating revenue [b]** | | |
| Balance at beginning of year | **12,910** | 7,750 |
| Receipts during the year | **1,252,090** | 1,213,312 |
| Recognized in revenue during the year | **(1,244,117)** | (1,208,152) |
| Balance at end of year | **20,883** | 12,910 |

[a] Deferred capital grants represent transfers from Government and other government entities received with associated stipulations relating to the purchase of capital assets, resulting in a liability. These grants will be recognized as revenue when the related assets are acquired and the liability is settled.

[b] Deferred operating contributions represents externally restricted Government transfers with associated stipulations relating to specific projects or programs, resulting in a liability. These transfers will be recognized as revenue in the period in which the resources are used for the purpose specified.

## 10. LONG-TERM DEBT

| | 2014<br>$ | 2013<br>$ |
|---|---|---|
| Sinking fund debenture, Series HCCI, 6.9%, to mature on June 15, 2040, interest payable semi-annually on June 15 and December 15 [the "Debenture"]. | **130,000** | 130,000 |
| Royal Bank of Canada (Central Kitchen), 6.06% loan maturing in May 2014, payable in monthly instalments of $101,670. | **208** | 1,380 |
| Newfoundland and Labrador Housing Corporation, 2.75% mortgage, maturing in December 2020, repayable in blended monthly instalments of $18,216, secured by land and building with a net book value of $2,411,234. | **1,346** | 1,525 |
| Royal Bank of Canada (Veterans Pavilion), 4.18% loan, unsecured, matured in April 2013, payable in blended monthly instalments of $55,670. | — | 55 |

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2014
[All amounts are in Canadian dollars, except amounts disclosed in tables, which are presented in thousands of Canadian dollars]

## 10. LONG-TERM DEBT [Cont'd]

| | 2014<br>$ | 2013<br>$ |
|---|---|---|
| Canadian Imperial Bank of Commerce loan, unsecured, bearing interest at prime lending rate less 0.625 basis points, maturing in 2016, repayable in monthly instalments of $21,200 plus interest. | **612** | 866 |
| Newfoundland and Labrador Housing Corporation, 10% mortgage, maturing in December 2028, repayable in blended monthly instalments of $8,955, secured by land and building with a net book value of $840,230. | **841** | 864 |
| Bank of Montreal, 4.96% term loan, unsecured, amortized to December 2014, repayable in blended monthly instalments of $7,070. | **—** | 67 |
| Newfoundland and Labrador Housing Corporation, 2.40% mortgage, amortized to July 1, 2020, repayable in blended monthly instalments of $1,022, secured by property with a net book value of $51,771. | **72** | 82 |
| NLHC (GHHA) 1.67% first mortgage on land, building and equipment, with a net book value of $1,427,919, maturing in April 1, 2017, amortized to April 1, 2019, payable in blended monthly instalments of $12,304. | **720** | 854 |
| Royal Bank of Canada, 3.58% promissory note on land, building and equipment with a net book value of $1,427,919, maturing on June 1, 2016, amortized to May 24, 2021, payable in blended monthly instalments of $7,447. | **510** | 580 |
| NLHC (NWR) 1.67% first mortgage on land and building, with a net book value of $552,426, with an assignment of rents and leases, maturing on June 1, 2018, amortized to April 1, 2018, payable in blended monthly instalments of $7,472. | **354** | 436 |
| NLHC (Lions Manor) 1.67% first mortgage on land and building phase one, with a net book value of $1,069,579, maturing in April 2017, amortized to October 2023, repayable in blended monthly instalments of $6,077. | **645** | 707 |
| NLHC (Lions Manor) 1.67% first mortgage on land and building phase two, with a net book value of $1,069,579, maturing in April 2017, amortized to December 2026, repayable in blended monthly instalments of $2,941. | **405** | 433 |

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2014
[All amounts are in Canadian dollars, except amounts disclosed in tables, which are presented in thousands of Canadian dollars]

## 10. LONG-TERM DEBT [Cont'd]

| | 2014<br>$ | 2013<br>$ |
|---|---|---|
| NLHC (TCRHB) 1.67% first mortgage on land and building, with a net book value of $295,969 maturing in April 2017, amortized to December 2027, repayable in blended monthly instalments of $2,008. | **296** | 315 |
| NLHC (Golden Heights Manor) 2.61% first mortgage on land and building with a net book value of $297,216, chattel mortgage on equipment and an assignment of rents, maturing on September 1, 2014, amortized to July 1, 2019, repayable in blended monthly instalments of $5,497. | **328** | 385 |
| NLHC (Blue Crest) 1.64% first mortgage on land and building, with a net book value of $548,212, maturing on December 1, 2016, amortized to December 1, 2021, repayable in blended monthly instalments of $3,743. | **327** | 366 |
| NLHC (Blue Crest) 2.26% first mortgage on land and building with a net book value of $548,212, maturing on August 1, 2016, amortized to May 1, 2021, repayable in blended monthly instalments of $3,165. | **251** | 283 |
| Canada Mortgage and Housing Corporation mortgages on land and buildings with a net book value of $4,619,334 – 8% on Blue Crest Home, repayable in blended monthly instalments of $7,777, maturing in November 2025. | **712** | 748 |
| 10.5% on Golden Heights Manor, repayable in blended monthly instalments of $7,549, maturing in August 2027. | **660** | 681 |
| 2.65% on Golden Heights Manor, repayable in blended monthly instalments of $20,482, maturing in June 2023. | **2,017** | 2,205 |
| | **140,304** | 142,832 |

Future principal repayments to maturity are as follows:

| | $ |
|---|---|
| 2015 | 1,480 |
| 2016 | 1,298 |
| 2017 | 1,178 |
| 2018 | 1,108 |
| 2019 | 1,059 |
| Thereafter | 134,181 |
| | 140,304 |

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2014
[All amounts are in Canadian dollars, except amounts disclosed in tables, which are presented in thousands of Canadian dollars]

## 11. SINKING FUND

A sinking fund investment, established for the partial retirement of the Debenture *[note 10]*, is held in trust by the Government. The balance as at March 31, 2014 included interest earned in the amount of $5,251,000 [2013 – $4,536,000].

The semi-annual interest payments on the Debenture are $4,485,000. The annual principal payment to the sinking fund investment until the maturity of the debenture on June 15, 2040 is $747,500.

The semi-annual interest payments and mandatory annual sinking fund payments on the Debenture are guaranteed by the Government.

## 12. AGREEMENT WITH NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION

Effective June 2, 1997, Newfoundland and Labrador Housing Corporation ["NLHC"] assumed responsibility for agreements previously administered by Canada Mortgage and Housing Corporation.

With respect to the NLHC mortgages disclosed in note 10, the Authority has entered into an agreement for mortgage interest subsidization with NLHC. Under the agreement, the Authority is also required to fund $14,850 annually for capital replacement with the funds, including accrued interest, to be deposited in either Government of Canada Bonds or a separate savings account.

## 13. CHANGES IN NON-CASH ASSETS AND LIABILITIES RELATED TO OPERATIONS

| | 2014<br>$ | 2013<br>$ |
|---|---|---|
| Accounts receivable | **6,871** | (9,230) |
| Supplies inventory | **(140)** | (892) |
| Prepaid expenses | **(823)** | 2,211 |
| Accounts payable and accrued liabilities | **982** | (1,812) |
| Accrued vacation pay | **320** | (685) |
| Deferred operating contributions | **7,973** | 5,160 |
| Deferred capital grants | **14,206** | 15,387 |
| Due from/to government/other government entities | **(45,694)** | 4,529 |
| Public Health Laboratory cash flow change | **(117)** | — |
| | **(16,422)** | 14,668 |

[All amounts are in Canadian dollars, except amounts disclosed in tables, which are presented in thousands of Canadian dollars]

## 14. TRUST FUNDS

Trusts administered by the Authority have not been included in the consolidated financial statements as they are excluded from the Government reporting entity. As at March 31, 2014, the balance of funds held in trust for residents of long-term care facilities was $4,285,180 [2013 – $3,989,210]. These trust funds consist of a monthly comfort allowance provided to residents who qualify for subsidization of their boarding and lodging fees.

## 15. CONTINGENCIES

A number of legal claims have been filed against the Authority. An estimate of loss, if any, relative to these matters is not determinable at this time and no provision has been recorded in the accounts for these matters. In the view of management, the Authority's insurance program adequately addresses the risk of loss in these matters.

## 16. CONTRACTUAL OBLIGATIONS

The Authority has entered into a number of multiple year operating leases, contracts for the delivery of services and the purchase of assets. These contractual obligations will become liabilities in the future when the terms of the contracts are met. The table below relates to the unperformed portion of the contracts:

| | 2015<br>$ | 2016<br>$ | 2017<br>$ | 2018<br>$ | 2019<br>$ | Thereafter<br>$ |
|---|---|---|---|---|---|---|
| Future operating lease payments | 12,257 | 11,977 | 10,912 | 8,717 | 7,468 | 63,597 |
| Managed print services | 2,494 | 2,494 | — | — | — | — |
| Vehicles | 277 | 195 | 59 | 17 | — | — |
| | 15,028 | 14,666 | 10,971 | 8,734 | 7,468 | 63,597 |

## 17. ACCRUED SEVERANCE PAY

The Authority provides a severance payment to employees, as stipulated in their conditions of employment, upon retirement, resignation or termination without cause. In 2014, cash payments to retirees for the Authority's unfunded employee future benefits amounted to approximately $7,775,000 [2013 – $7,331,000]. The last actuarial valuation for both the accrued severance pay and accrued sick leave was performed effective March 31, 2012, and an extrapolation of that valuation has been performed to March 31, 2014.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2014
[All amounts are in Canadian dollars, except amounts disclosed in tables, which are presented in thousands of Canadian dollars]

## 17. ACCRUED SEVERANCE PAY [Cont'd]

The accrued benefit liability and benefits expense of the severance pay are outlined below:

| | **2014** $ | **2013** $ |
|---|---|---|
| Accrued benefit liability, beginning of year | **113,947** | 107,102 |
| Public Health Lab | **470** | — |
| Benefits expense | | |
| Current service cost | **7,700** | 7,699 |
| Interest cost | **4,118** | 4,130 |
| Other | **(7,619)** | 2,346 |
| | **118,616** | 121,277 |
| Benefits paid | **(7,775)** | (7,330) |
| Accrued benefit liability, end of year | **110,841** | 113,947 |

| | **2014** $ | **2013** $ |
|---|---|---|
| Current year benefit cost | **7,701** | 7,700 |
| Amortization of actuarial loss during the year | **1,021** | 838 |
| Benefits interest expense | **4,118** | 4,131 |
| **Total expense recognized for the year** | **12,840** | 12,669 |

The significant actuarial assumptions used in measuring the accrued severance pay and benefits expense and liability are as follows:

| | |
|---|---|
| Discount rate – liability | 3.90% as at March 31, 2014<br>3.60% as at March 31, 2013 |
| Discount rate – benefit expense | 3.60% in fiscal 2014<br>3.85% in fiscal 2013 |
| Rate of compensation increase | 0% for 2012, 0% for 2013, 2% for 2014, 3% for 2015, and 3.25% thereafter plus 0.75% for promotions and merit as at March 31, 2014<br>3.5% plus 0.75% for promotions and merit as at March 31, 2013 |

## 18. ACCRUED SICK LEAVE

The Authority provides sick leave to employees as the obligation arises and accrues a liability based on anticipation of sick days accumulating for future use. In 2014, cash payments to employees for the Authority's unfunded sick leave benefits amounted to approximately $8,149,000 [2013 – $7,869,000]. The actuarial valuations for both the accrued severance pay and accrued sick leave were performed effective March 31, 2012, and an extrapolation of that valuation has been performed to March 31, 2014.

[All amounts are in Canadian dollars, except amounts disclosed in tables, which are presented in thousands of Canadian dollars]

## 18. ACCRUED SICK LEAVE [Cont'd]

The accrued benefit liability and benefit expense of the sick leave are outlined below:

| | 2014<br>$ | 2013<br>$ |
|---|---|---|
| Accrued benefit liability, beginning of year | **63,307** | 61,508 |
| Public Health Lab | **130** | — |
| Benefits expense | | |
| Current service cost | **6,277** | 6,417 |
| Interest cost | **2,250** | 2,342 |
| Other | **(4,157)** | 916 |
| | **67,807** | 71,183 |
| Benefits paid | **(8,153)** | (7,876) |
| Accrued benefit liability, end of year | **59,654** | 63,307 |

| | 2014<br>$ | 2013<br>$ |
|---|---|---|
| Current year benefits cost | **6,277** | 6,414 |
| Amortization of actuarial loss during the year | **417** | 348 |
| Benefits interest expense | **2,250** | 2,341 |
| **Total expense recognized for the year** | **8,944** | 9,103 |

Significant actuarial assumptions used in measuring the accrued sick leave and benefits expense and liability are as follows:

| | |
|---|---|
| Discount rate – liability | 3.90% as at March 31, 2014<br>3.60% as at March 31, 2013 |
| Discount rate – benefits expense | 3.60% in fiscal 2014<br>3.85% in fiscal 2013 |
| Rate of compensation increase | 0% for 2012, 0% for 2013, 2% for 2014, 3% for 2015, and 3.25% thereafter plus 0.75% for promotions and merit as at March 31, 2014<br>3.5% plus 0.75% for promotions and merit as at March 31, 2013 |

[All amounts are in Canadian dollars, except amounts disclosed in tables, which are presented in thousands of Canadian dollars]

## 19. RELATED PARTY TRANSACTIONS

The Authority had the following transactions with the Government and other government entities:

| | 2014<br>$ | 2013<br>$ |
|---|---|---|
| Transfer from the Government of Newfoundland and Labrador | **1,215,089** | 1,166,080 |
| Transfers from other government entities | **87,819** | 95,591 |
| Transfers to other government entities | **(96,852)** | (89,962) |
| | **1,206,056** | 1,171,709 |

## 20. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

### Financial risk factors

The Authority is exposed to a number of risks as a result of the financial instruments on its consolidated statement of financial position that can affect its operating performance. These risks include credit risk and liquidity risk. The Authority's Board of Trustees has overall responsibility for the oversight of these risks and reviews the Authority's policies on an ongoing basis to ensure that these risks are appropriately managed. The Authority is not exposed to interest rate risk as the majority of its long-term debt obligations are at fixed rates of interest. The source of risk exposure and how each is managed is outlined below:

### Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligation. The Authority's credit risk is primarily attributable to accounts receivable. Eastern Health has a collection policy and monitoring processes intended to mitigate potential credit losses. Management believes that the credit risk with respect to accounts receivable is not material.

### Liquidity risk

Liquidity risk is the risk that the Authority will not be able to meet its financial obligations as they become due. The Authority has an authorized credit facility [the "Facility"] of $64,000,000. As at March 31, 2014, the Authority had $64,000,000 in funds available on the Facility [2013 – $64,000,000]. To the extent that the Authority does not believe it has sufficient liquidity to meet current obligations, consideration will be given to obtaining additional funds through third-party funding or from the Province, assuming these can be obtained.

[All amounts are in Canadian dollars, except amounts disclosed in tables, which are presented in thousands of Canadian dollars]

## 21. BUDGET

The Authority prepares an initial budget for a fiscal period that is approved by the Board of Trustees and the Government [the "Original Budget"]. The Original Budget may change significantly throughout the year as it is updated to reflect the impact of all known service and program changes approved by the Government. Additional changes to services and programs that are initiated throughout the year would be funded through amendments to the Original Budget and an updated budget is prepared by the Authority. The updated budget amounts are reflected in the unaudited budget amounts as presented in the consolidated statement of operations [the "Budget"].

In addition to the impact of such service and program changes, the Original Budget and Budget prepared by the Authority do not include a budget for the operations of the cottages and hostels, as such amounts are not considered by the Authority to significantly impact decisions or the allocation of resources. Further, the Original Budget and Budget do not include amounts relating to certain non-cash and other items including tangible capital asset amortization, the recognition of provincial capital grants and other capital contributions, adjustments required to the accrued benefit obligations associated with severance and sick leave, and adjustments to accrued vacation pay. The Authority also does not prepare a full budget in respect of changes in net debt as the Authority does not include an amount for tangible capital asset amortization or the acquisition of tangible capital assets in the Original Budget or the Budget.

The following presents a reconciliation of budgeted revenue for the year ended March 31, 2014:

| | **Revenue** | **Expenditures** | **Annual surplus** |
|---|---|---|---|
| | $ | $ | $ |
| Original Budget | **1,253,244** | **1,251,286** | **1,958** |
| Adjustments during the year for service and program changes, net | **46,010** | **46,010** | — |
| Revised Original Budget | **1,299,254** | **1,297,296** | **1,958** |
| Stabilization fund approved by Government | **27,502** | **27,502** | — |
| **Final Budget** | **1,326,756** | **1,324,798** | **1,958** |

## 22. COMPARATIVE FIGURES

Certain comparative figures have been reclassified from statements previously presented to conform to the presentation adopted for the current year.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2014
[All amounts are in Canadian dollars, except amounts disclosed in tables, which are presented in thousands of Canadian dollars]

## 23. EXPENSES BY OBJECT

This disclosure supports the functional display of expenses provided in the consolidated statement of operations by offering a different perspective of the expenses for the year. The following presents expenses by object, which outlines the major types of expenses incurred by the Authority during the year.

| | 2014<br>$ | 2013<br>$ |
|---|---|---|
| Salaries | **706,042** | 699,434 |
| Supplies - other | **234,587** | 225,975 |
| Direct client costs | **128,808** | 127,398 |
| Employee benefits | **106,296** | 121,108 |
| Supplies – medical and surgical | **62,826** | 61,261 |
| Drugs | **49,438** | 49,175 |
| Amortization of tangible capital assets | **42,556** | 31,813 |
| Maintenance | **22,317** | 20,700 |
| Interest on long-term debt | **9,354** | 9,469 |
| Cottages and hostels operations | **1,859** | 1,802 |
| **Total expenses** | **1,364,083** | 1,348,135 |

**EASTERN SCHOOL DISTRICT**

**AUDITOR'S REPORT**
**NON-CONSOLIDATED FINANCIAL STATEMENTS**

**June 30, 2013**

BYRON SMITH
CHARTERED ACCOUNTANT
MANAGEMENT CONSULTANT

BYRON SMITH
CHARTERED ACCOUNTANT
MANAGEMENT CONSULTANT

BYRON D. SMITH, B. Comm., C.F.E., C.A.

Main Office:
P. O. Box 610
100 Conception Bay Highway
Spaniard's Bay, NL
A0A 3X0

Telephone: (709) 786-1232
Toll Free: 1-877-786-1232
Facsimile: (709) 786-1230
E-mail: byron@byronsmithca.com
Website: byronsmithca.com

Branch Office:
46 Powell Drive
Carbonear, NL
A1Y 1A5
Telephone: (709) 596-2211

Simply Accounting
Solution Provider

Business Vision
Authorized Training
and
Support Organization

ASSOCIATION OF CERTIFIED FRAUD EXAMINERS

CA

# INDEPENDENT AUDITOR'S REPORT

To the Members of the Board of Trustees of:
Eastern School District

## Report on the Financial Statements

I have audited the accompanying non-consolidated financial statements of the Eastern School District, which is comprised of the statements of financial position as at June 30, 2013, June 30, 2012 and July 1, 2011, and the statements of operations, changes in net debt and cash flows for the years ended June 30, 2013 and June 30, 2012, and a summary of significant accounting policies and other explanatory information.

## Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these non-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 financial statements that are free from material misstatement, whether due to fraud or error.

## Auditor's Responsibility

My responsibility is to express an opinion on these non-consolidated financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the non-consolidated financial statements are free of material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the non-consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the non-consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the non-consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purposes 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 non-consolidated financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

## Basis for Qualified Opinion

The accounting policy with respect to teachers' severance pay and sick pay is described in Note 1. Canadian public sector accounting standards require that all accounts receivable should be recorded and disclosed on the financial statements. The liabilities for teachers' severance pay and sick pay has been recorded but no offsetting receivable has been recorded. In this respect, these non-consolidated financial statements are not in accordance with Canadian public sector accounting standards. If the accounts receivable were recorded in accordance with Canadian public sector accounting standards, changes to the amounts reported for accounts receivable, revenue, and excess of expenditures over revenue would be necessary.

## Qualified Opinion

In my opinion, except for the effects of the failure to record accounts receivable as described in the preceding paragraph, these non-consolidated financial statements present fairly, in all material respects, the financial position of the Eastern School District as at June 30, 2013 and 2012 and July 1, 2011 and the results of its operations and cash flows for the years ended June 30, 2013 and 2012 in accordance with Canadian public sector accounting standards and are in compliance with reporting requirements established for School Boards in the Province of Newfoundland and Labrador by the Department of Education.

Spaniard's Bay, NL
March 14, 2014

Byron Smith
CHARTERED ACCOUNTANT

**Eastern School District**
**Non-Consolidated - Statement of Financial Position**

**As at June 30, 2013**

| | June 30, 2013 | June 30, 2012 | July 1, 2011 |
|---|---|---|---|
| **FINANCIAL ASSETS** | | | |
| Cash (Note 4) | $ 18,915,643 | $ 13,778,797 | $ 14,366,925 |
| Short-term investments (Note 5) | 923,814 | 889,182 | 894,425 |
| Accounts receivable (Note 6) | 201,303 | 1,022,465 | 567,847 |
| Due from government entities (Note 7) | 2,485,276 | 5,232,154 | 2,883,644 |
| Restricted cash | 4,912,061 | 5,115,405 | 5,350,000 |
| Teachers' vacation pay receivable (Note 11) | 39,587,741 | 39,490,165 | 37,641,914 |
| | 67,025,838 | 65,528,168 | 61,704,755 |
| **FINANCIAL LIABILITIES** | | | |
| Accounts payable and accrued liabilities (Note 10) | 7,597,930 | 6,744,494 | 6,721,992 |
| Long-term debt (Schedule 8 and 8A) | 1,919,112 | 1,939,937 | 2,414,650 |
| Obligation under capital lease (Note 13) | 286,217 | 977,912 | 1,660,106 |
| Accrued vacation pay (Note 11) | 42,260,405 | 42,096,247 | 40,647,489 |
| Employee future benefits | | | |
| Accrued sick pay (Note 12) | 55,320,477 | 55,548,339 | 55,770,604 |
| Accrued severance pay (Note 12) | 71,475,989 | 67,697,678 | 62,746,536 |
| Other employee benefits | 198,840 | 265,962 | 354,299 |
| Deferred revenue (Note 18) | 5,926,800 | 6,107,298 | 5,334,886 |
| | 184,985,770 | 181,377,867 | 175,650,562 |
| **NET DEBT** | (117,959,932) | (115,849,699) | (113,945,807) |
| **NON-FINANCIAL ASSETS** | | | |
| Prepaid expenses (Note 8) | 344,256 | 324,189 | 667,815 |
| Capital assets (Schedule 7) | 285,900,665 | 264,801,191 | 250,316,203 |
| | 286,244,921 | 265,125,380 | 250,984,018 |
| **ACCUMULATED SURPLUS** | | | |
| Accumulated surplus - restricted (Note 20) | 1,370,659 | 1,370,659 | 720,659 |
| Accumulated surplus - unrestricted | 166,914,330 | 147,905,022 | 136,317,552 |
| | $ 168,284,989 | $ 149,275,681 | $ 137,038,211 |

**Commitments (Note 14)**
**Contingent Liabilities (Note 17)**

**On Behalf of the Board:**

_______________ Chairperson _______________ Treasurer

See accompanying notes to financial statements.

BYRON SMITH
CHARTERED ACCOUNTANT
MANAGEMENT CONSULTANT

## Eastern School District
### Non-Consolidated - Statement of Operations

**For the Year ended June 30, 2013**

| | Budget (Note 21) | 2013 | 2012 |
|---|---|---|---|
| **Revenue** | | | |
| Provincial government operating grants (Schedule 1) | $ 403,571,662 | $ 422,132,807 | $ 419,642,775 |
| Ancillary services (Schedule 1) | 50,000 | 320,015 | 259,682 |
| Miscellaneous (Schedule 1) | 505,000 | 338,977 | 905,517 |
| Capital transfers from government | | 35,307,107 | 24,656,221 |
| | 404,126,662 | 458,098,906 | 445,464,195 |
| **Expenditures** | | | |
| Administration (Schedule 2) | 8,280,470 | 7,931,335 | 7,404,587 |
| Instruction (Schedule 3) | 334,320,320 | 352,948,610 | 349,873,216 |
| Operations and maintenance (Schedule 4) | 37,501,048 | 36,963,917 | 39,820,617 |
| Pupil transportation (Schedule 5) | 23,937,352 | 23,950,239 | 23,034,510 |
| Miscellaneous (Schedule 6) | | 112,104 | 277,243 |
| Amortization of capital assets (Schedule 7B) | | 15,282,129 | 11,029,206 |
| Interest (Schedule 8A) | 87,472 | 35,072 | 92,828 |
| Special grants expense | | 1,866,192 | 1,694,518 |
| | $ 404,126,662 | 439,089,598 | 433,226,725 |
| Annual surplus from operations | | 19,009,308 | 12,237,470 |
| Transfer to restricted surplus | | | (650,000) |
| **Annual surplus from operations - unrestricted** | | $ 19,009,308 | $ 11,587,470 |

| | 2013 | 2012 |
|---|---|---|
| Accumulated surplus - unrestricted, beginning of year | $ 147,905,022 | $ 136,317,552 |
| Annual surplus from operations - unrestricted | 19,009,308 | 11,587,470 |
| **Accumulated surplus - unrestricted, end of year** | $ 166,914,330 | $ 147,905,022 |

| | 2013 | 2012 |
|---|---|---|
| Accumulated surplus - restricted, beginning of year | $ 1,370,659 | $ 720,659 |
| Annual surplus from operations - restricted | | 650,000 |
| **Accumulated surplus - restricted, end of year** | $ 1,370,659 | $ 1,370,659 |

See accompanying notes to financial statements.

## Eastern School District
### Non-Consolidated - Statement of Changes in Net Debt

For the Year Ended June 30, 2013

| | June 30, 2013 | June 30, 2012 |
|---|---|---|
| **Annual surplus from operations** | $ 19,009,308 | $ 12,237,470 |
| **Changes in tangible capital assets** | | |
| Acquisition of tangible capital assets | (36,392,725) | (25,514,194) |
| Gain on disposal of vehicle | 11,122 | |
| Amortization of tangible capital assets | 15,282,129 | 11,029,206 |
| **Increase in net book value of tangible capital assets** | (21,099,474) | (14,484,988) |
| **Changes in other non-financial assets** | | |
| New change in prepaid expenses - increase/decrease | (20,067) | 343,626 |
| **Increase in net debt** | (2,110,233) | (1,903,892) |
| Net debt, beginning of year | (115,849,699) | (113,945,807) |
| **Net debt, end of year** | $ (117,959,932) | $ (115,849,699) |

See accompanying notes to financial statements.

BYRON SMITH
CHARTERED ACCOUNTANT
MANAGEMENT CONSULTANT

## Eastern School District
### Non-Consolidated - Statement of Cash Flows

For the Year Ended June 30, 2013

| | June 30, 2013 | June 30, 2012 |
|---|---|---|
| **OPERATING ACTIVITIES** | | |
| **Excess of revenue over expenditures** | $ 19,009,308 | $ 12,237,470 |
| Items not affecting cash: | | |
| Amortization of tangible capital assets | 15,282,129 | 11,029,206 |
| Gain on disposal of vehicle | 11,122 | |
| Accrued vacation pay | 164,158 | 1,448,758 |
| Accrued sick pay | (227,862) | (222,265) |
| Accrued severance pay | 3,778,311 | 4,951,142 |
| Other employee benefits liability | (67,122) | (88,337) |
| Decrease (increase) in short term investments | (34,632) | 5,243 |
| Decrease (increase) accounts receivable | 3,470,464 | (4,651,379) |
| Decrease (increase) in prepaid expenses | (20,067) | 343,626 |
| Increase in accounts payable and accrued liabilities | 672,938 | 794,910 |
| | 42,038,747 | 25,848,374 |
| **INVESTING ACTIVITIES** | | |
| Capital expenditures - net | (36,392,725) | (25,514,193) |
| **FINANCING ACTIVITIES** | | |
| Proceeds from obligation under capital lease | 82,750 | 158,056 |
| Repayment of obligation under capital lease | (774,445) | (840,250) |
| Proceeds from long-term borrowings | 457,044 | 464,500 |
| Repayment of long-term debt | (477,869) | (939,212) |
| | (712,520) | (1,156,906) |
| **Change in cash resources** | 4,933,502 | (822,725) |
| **Cash,** beginning of the year | 18,894,202 | 19,716,927 |
| **Cash,** end of the year | $ 23,827,704 | $ 18,894,202 |
| Consist of: | | |
| Cash | $ 18,915,643 | $ 13,778,797 |
| Cash - restricted | 4,912,061 | 5,115,405 |
| | $ 23,827,704 | $ 18,894,202 |
| **Supplementary disclosure of cash flow information:** | | |
| Interest paid | $ 35,072 | $ 92,828 |
| Interest paid - bussing loans | 64,746 | 64,013 |
| | $ 99,818 | $ 156,841 |

See accompanying notes to financial statements.

BYRON SMITH
CHARTERED ACCOUNTANT
MANAGEMENT CONSULTANT

## Nature of Operations

The Eastern School District [the "District"] is responsible for the operations and maintenance of all schools in the Eastern portion of the Province of Newfoundland and Labrador. The District was formed August 31, 2004 after the Government of Newfoundland and Labrador [the "Province"] dissolved four previous boards known as Vista School District, Burin School District, Avalon West School District, and Avalon East School District.

## 1. Significant Accounting Policies

Except for the fact that these statements are non-consolidated, these non-consolidated financial statements are prepared in accordance with Canadian public sector accounting standards, which for purposes of the District's financial statements are represented by accounting recommendations of the Public Sector Accounting Board ["PSAB"] of the CPA Canada, supplemented by other CPA Canada accounting standards or pronouncements.

These financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of accounting policies summarized below:

### Basis of Presentation

These non-consolidated financial statements reflect the assets, liabilities, revenue and expenditures of the District. These non-consolidated financial statements have not been consolidated with those of other organizations controlled by the District.

The District currently exercises control over corporations known as the Eastern Education Foundation Inc. and Newfoundland International Student Exchange Program Inc ["NISEP"].

The net assets of the Eastern Education Foundation Inc. as at December 31, 2012 were $ 259,328 in accordance with the financial statements compiled by the corporation. The net assets of NISEP as at June 30, 2013 are recorded in Note 10 of these financial statements. Net funds generated from this corporation are to be used for specific purposes and will be recognized as revenue in the District's financial statements when approved by the NISEP Management Committee. The NISEP Board has received a directive from the Province to wind up operations.

These financial statements do not include school based financial activities which would consist of revenues, expenses and net assets controlled by school administration.

### Revenue

The District's main source of funding is derived from the Government of Newfoundland and Labrador, Department of Education [the "Department"]. The Department provides funding for operations, transportation, capital expenditures and teacher salaries and severance pay. Funding is included in revenue on the accrual basis and when the related expenditures have been incurred with the exception of funding for the teacher severance pay which is recorded when the severance is paid to employees. Funding designated for specific purposes, for which criteria has not been met, is deferred and included in revenue when all eligibility criteria have been met.

### Restricted Surplus

The District received funding from the Province and external sources which has been restricted for specific purposes in the future. Restricted funds have been recorded as revenue and transferred to restricted surplus for the designated purpose.



BYRON SMITH
CHARTERED ACCOUNTANT
MANAGEMENT CONSULTANT

## 1. Significant Accounting Policies (Cont'd)

### Tangible Capital Assets

Tangible capital assets assumed by the District on August 31, 2004, as a result of legislation passed pursuant to the *Schools Act, 1997* and the *Education Act*, were recorded based on the carrying values shown on the audited financial statements of the predecessor entities.

Tangible capital assets are amortized using the straightline basis over their estimated useful lives, using the following rates:

| | |
|---|---|
| Buildings | 25-60 years |
| Furniture and equipment | 10 years |
| Service vehicles | 5 years |
| Buses | 12 years |
| Miscellaneous | 5 years |

Consistent with government policy, the District capitalizes items purchased during the year that are in the excess of $15,000.

### Teachers' and Student Assistants' Payroll

The Department processes the payrolls and remits the source deductions directly to the appropriate agencies. The amounts recorded in the financial statements represent gross salaries and employee benefits as reported by the Department for the year.

### Pension Costs

All permanent employees of the District are covered by pension plans administered by the Province. Contributions to these plans are required from both the employee and the District. Post retirement obligations to employees are the responsibility of the Province and, as such, the employer contributions for pensions are recognized in the accounts on a current basis.

### Employee Future Benefits

The District's employee future benefits include accrued severance, accrued sick leave and other employee benefits.

**(i) accrued severance**

Consistent with government policy, the District has in effect severance pay policies whereby certain employees are entitled to a severance payment upon leaving employment with the District. Under these policies, an employee who has nine (9) or more years of continuous service in the employment of the District or other public sector employer is entitled to be paid severance on resignation, retirement, termination by reasons of disability, expiry of recall rights or, in the event of death, to the employee's estate. The severance benefit obligation has been actuarially determined using assumptions based on management's best estimate of future salary changes and other factors. Discount rates are based on the Province's long-term borrowing rate.

Pursuant to a directive issued by the Department during fiscal 1998, the District recorded a severance pay liability for teachers in the District. The *Schools Act, 1997* specifies that salaries and other compensation for teachers are the responsibility of the Department. The District received written approval from the Minister of Education for the deficit arising from the Department's requirement to record accrued teachers' severance. For employees other than teachers, the District has set aside specific funds to assist with the severance liability in a separate bank account for this purpose.

**(ii) accrued sick leave**

The District provides certain employees with sick leave benefits that accumulate but do not vest. The benefits provided to employees vary based upon classification within the various negotiated agreements. An actuarially determined accrued liability has been recorded on the statements for non-vesting sick leave benefits. The cost of non-vesting sick leave benefits are actuarially determined using management's best estimate of salary escalation, accumulated sick days at retirement, long term inflation rates and discount rates.

**(iii) other employee benefits**

The District has recorded the obligation to pay certain employees at the termination of their employment for unused sick leave accumulated prior to January 1, 1985. As these benefits no longer accumulate or vest as of 1985 they are outside of the scope of PS 3255, *Post-employment benefits, compensated absences and termination benefits*, and are not actuarially determined at the end of each period.

**Use of Accounting Estimates**

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting periods. Actual results could differ from those estimates.

**Long-Lived Assets**

Long-lived assets are reviewed for impairment upon the occurrence of events or changes in circumstances indicating that the value of the assets may not be recoverable.

**2. First-Time Adoption of Canadian Public Sector Accounting Standards**

These non-consolidated financial statements are the first financial statements which the District has prepared in accordance with the Public Sector Handbook, which constitutes generally accepted accounting principles as recommended by the PSAB ["GAAP"]. In preparing its opening balance sheet as at July 1, 2011 [the "Transition Date"], the District has applied Section 2125, *First-time Adoption by Government Organizations*.

The accounting policies that the District has used in the preparation of its opening statement of financial position have resulted in certain adjustments to balances which presented in the statement of operations for the year ended June 30, 2012 and the statement of financial position as of July 1, 2011 as prepared in accordance with Part V of the CICA Handbook - Accounting ["Previous GAAP"]. These adjustments were recorded directly to the District's accumulated deficit at the Transition Date using the transitional provisions set out in PS 2125. The significant impacts on the statement of operations and statement of financial position included:

**(i) reclassification of government transfers**

Under Previous GAAP, government transfers received and used for the purchase of capital assets were deferred and amortized to operations at the same rate the related assets were amortized. Under Section PS 3410, *Government Transfers*, funds received from the government and used for the purchase of capital assets are recognized as revenue when no stipulations exist and the related liability has been settled. As a result, the District removed balance of investment in capital assets at the July 1, 2011 transition date ($250,987,083) which resulted in a decrease in the accumulated deficit.

**(ii) adjustments to severance and sick leave accrual based upon actuarial valuation**

Certain employees of the District are entitled to a number of days of sick leave per fiscal year. Earned but unused sick leave is accrued and deferred. Under Previous GAAP, the District was not required to recognize a liability in respect of sick leave to the extent that the incapacity to work arising from injury or illness had not occurred. Under Section PS 3255, *Post-employment Benefits, Compensated Absences and Termination Benefits*, sick pay benefits that accumulate but not vest are considered obligations. As a result, the District recorded an employee future benefit liability related to sick leave, which resulted in an increase in the accumulated deficit at the transition date and an increase to the related expense in the statement of operations for 2012 and 2013.

Under Previous GAAP, the District recognized accrued severance pay, calculated based upon years of service and current levels. Under Section PS 3250, *Retirement Benefits*, the accrued severance pay would be classified as a retirement benefit and would follow the accrued benefit method, which is used to attribute the cost of the retirement benefit to the period of employee service through an actuarial valuation. As a result, the District recorded a change to the value of the accrued severance pay, which decreased the accumulated deficit at the transition date.

**(iii) reclassifications relating to financial statement presentation adopted under PSA Standards**

Under Previous GAAP, the District presented a current portion of capital leases and long-term debt on the statement of financial position. Under GAAP, current assets and liabilities are not presented separately. As a result, the current portion classification was removed upon the transition date and the total associated obligations are presented within one line on the statement of financial position.

Under Previous GAAP, the District presented amounts due from and to government and other government entities within the respective accounts receivable and accounts payable balances on the statement of financial position. Section PS 1200, *Financial Statement Presentation*, suggests that amounts due from and to government and other government entities should be presented separately on the statement of financial position. As a result, the District has reclassified these amounts and presented them separately.

**(iv) reconciliation of previously reported accumulated surplus (deficit) and annual surplus (deficit):**

| | Annual surplus (deficit) for the year ended June 30, 2012 | Accumulated surplus(deficit) as at June 30, 2012 | Accumulated surplus(deficit) as at July 1, 2011 |
|---|---|---|---|
| **Balance as originally reported - Previous GAAP** | | $ (69,196,456) | $ (64,964,351) |
| Reclassify investments in capital assets | | 266,630,667 | 250,987,083 |
| Accumulated unrestricted surplus | | 197,434,211 | 186,022,732 |
| Adjustments on transition - July 1, 2011 | | | |
| Employee future benefits (severance) | | 6,650,027 | 6,650,027 |
| Employee future benefits (sick) | | (55,770,604) | (55,770,604) |
| Vacation pay - executive staff | | (584,603) | (584,603) |
| Total adjustment on transition - July 1, 2011 | | (49,705,180) | (49,705,180) |
| **Balance as originally reported - Previous GAAP** | $ (3,582,105) | | |
| Adjustments on comparative year - June 30, 2012: | | | |
| Reclassify transfer to capital | (9,403,122) | | |
| Reclassify capital grants to revenue | 24,656,222 | | |
| Employee future benefits (severance) | (196,094) | (196,094) | |
| Employee future benefits (sick) | 222,265 | 222,265 | |
| Vacation pay - executive staff | 149,820 | 149,820 | |
| Principal payments on long term debt | 390,484 | | |
| Transfer to restricted surplus | (650,000) | | |
| Total adjustment on comparative year - June 30, 2012 | 15,169,575 | 175,991 | |
| **Balance as restated - GAAP** | $ 11,587,470 | $ 147,905,022 | $ 136,317,552 |



BYRON SMITH
CHARTERED ACCOUNTANT
MANAGEMENT CONSULTANT

## 3. Bond Coverage

At balance sheet date, the Insurance Division of Treasury Board carried fidelity bond coverage covering District employees in the amount of $300,000 per occurrence.

## 4. Cash

| | June 30, 2013 | June 30, 2012 | July 1, 2011 |
|---|---|---|---|
| 112 Current bank account | $ 18,869,680 | $ 13,719,149 | $ 14,339,631 |
| 114 Teachers' payroll bank account | 43,556 | 56,300 | 23,739 |
| 117 Other | 2,407 | 3,348 | 3,555 |
| | $ 18,915,643 | $ 13,778,797 | $ 14,366,925 |

## 5. Short-term Investments

| | June 30, 2013 | June 30, 2012 | July 1, 2011 |
|---|---|---|---|
| 121 Term deposits - restricted | $ 789,090 | $ 793,383 | $ 758,620 |
| 122 Marketable securities | 134,724 | 95,799 | 135,805 |
| | $ 923,814 | $ 889,182 | $ 894,425 |

Term deposits relate to funds specifically allocated for educational purposes within the Province of Newfoundland and Labrador. These amounts are not intended for general operations of the District.

## 6. Accounts Receivable

| | June 30, 2013 | June 30, 2012 | July 1, 2011 |
|---|---|---|---|
| 138 Interest | $ 22,189 | $ 22,134 | $ 20,766 |
| 139 Miscellaneous, travel advances and other | 179,114 | 1,000,331 | 547,081 |
| | $ 201,303 | $ 1,022,465 | $ 567,847 |

## 7. Due from Government Entities

| | June 30, 2013 | June 30, 2012 | July 1, 2011 |
|---|---|---|---|
| 231 Government of Newfoundland and Labrador | $ 2,006,354 | $ 4,291,649 | $ 2,423,962 |
| 232 Federal Government | 478,922 | 940,505 | 459,682 |
| | $ 2,485,276 | $ 5,232,154 | $ 2,883,644 |

## 8. Prepaid Expenses

| | June 30, 2013 | June 30, 2012 | July 1, 2011 |
|---|---|---|---|
| 141 Insurance | $ 15,688 | $ 15,532 | $ 13,933 |
| 142 Municipal service fees | 238,359 | 219,575 | 225,892 |
| 144 Other | 90,209 | 89,082 | 427,990 |
| | $ 344,256 | $ 324,189 | $ 667,815 |

## 9. Bank Indebtedness

The District had an authorized operating demand loan of $4,000,000, bearing interest at Royal Bank prime less 0.65% which was unused as at June 30, 2013 and June 30, 2012. In accordance with the *Schools Act, 1997*, the operating demand loan was supported by a letter of approval to borrow provided by the Minister of Education.

## 10. Accounts Payable and Accrued Liabilities

| | June 30, 2013 | June 30, 2012 | July 1, 2011 |
|---|---|---|---|
| 21 111 Trade payables | $ 4,213,919 | $ 3,332,143 | $ 4,076,571 |
| 112 Accrued liabilities | 594,096 | 780,644 | 387,947 |
| 114 Wages | 1,051,762 | 919,103 | 591,526 |
| 115 Payroll deductions | 172,485 | 199,017 | 191,936 |
| 118 Other | | | |
| Eastern School District Trust Fund | 640,939 | 638,283 | 599,227 |
| Scholarship funds | 121,621 | 130,476 | 142,332 |
| N.I.S.E.P. due to a related corporation | 803,108 | 744,828 | 732,453 |
| | $ 7,597,930 | $ 6,744,494 | $ 6,721,992 |

## 11. Accrued Vacation Pay

Pursuant to a directive issued by the Department during the fiscal year 2006, the District recorded the vacation pay liability for teachers in the District. The liability relates to teachers' salaries earned during the school year but not fully paid to teachers until subsequent to June 30. Accordingly, the District has recorded teachers' vacation pay receivable of $ 39,587,741 at June 30, 2013, (2012 - $ 39,490,165 ).

| | June 30, 2013 | June 30, 2012 | July 1, 2011 |
|---|---|---|---|
| Vacation pay - teachers | $ 39,587,741 | $ 39,490,165 | $ 37,641,914 |
| Vacation pay - executive staff | 466,536 | 434,783 | 584,603 |
| Vacation pay - board employees | 2,206,128 | 2,171,299 | 2,420,972 |
| **Total Accrued Vacation Pay** | $ 42,260,405 | $ 42,096,247 | $ 40,647,489 |

## 12. Employee Future Benefits

The actuarial valuation date for sick leave and severance accrual was June 30, 2012 and has been extrapolated for June 30, 2013 and July 1, 2011. PS 3255 implies that benefit obligations that are not funded in advance should be valued using a rate referencing government's cost of borrowing. As the Sick Leave and Severance are not funded in advance, the discount rate selected by Management is equal to the Provincial long term borrowing rate. This rate was 3.91% as at June 30, 2013, 3.40% as at June 30, 2012, and 4.30% as at June 30, 2011.

The total employee future benefits liability, as recorded on the Statement of Financial Position, is equal to the total accrued benefit obligation plus or minus any unamortized gains or loses at the end of the period. A reconciliation of the accrued liability to the accrued benefit obligation for both sick leave and severance is provided below for disclosure purposes.

| ACCRUED SEVERANCE | June 30, 2013 | June 30, 2012 |
|---|---|---|
| *Severance Pay (Teachers)* | | |
| Accrued benefit liability, beginning of year | $ 62,685,128 | $ 57,725,107 |
| Benefits expense | 7,842,375 | 7,004,307 |
| Benefits paid | (4,108,946) | (2,044,284) |
| **Accrued benefit liability (Teachers), end of year** | 66,418,559 | 62,685,128 |
| *Severance Pay (Board Employees)* | | |
| Accrued benefit liability, beginning of year | 5,012,550 | 5,021,429 |
| Benefits expense | 570,540 | 530,542 |
| Benefits paid | (525,660) | (539,421) |
| **Accrued benefit liability (Board Employees), end of year** | 5,057,430 | 5,012,550 |
| **Total Accrued Severance Pay Liability, end of year** | **71,475,989** | **67,697,678** |
| Unamortized portion of actuarial loss | 1,665,041 | 5,154,967 |
| **Total Accrued Severance Obligation** | **$ 73,141,030** | **$ 72,852,645** |

***Reconciliation of Accrued Benefit Obligation from June 30 2011, to June 30, 2012***

| | Board Employees | Teachers | Total |
|---|---|---|---|
| **Accrued benefit obligation as at June 30, 2011** | **$ 5,021,429** | **$ 57,725,107** | **$ 62,746,536** |
| Current period benefit cost | 319,352 | 4,469,975 | 4,789,327 |
| Benefits payments/contributions | (539,421) | (2,044,284) | (2,583,705) |
| Interest on the accrued benefit obligation | 211,190 | 2,534,332 | 2,745,522 |
| Actuarial (gains)/losses | 291,168 | 4,863,797 | 5,154,965 |
| **Accrued benefit obligation as at June 30, 2012** | **$ 5,303,718** | **$ 67,548,927** | **$ 72,852,645** |

***Reconciliation of Accrued Benefit Obligation from June 30, 2012 to June 30, 2013***

| | Board Employees | Teachers | Total |
|---|---|---|---|
| **Accrued benefit obligation as at June 30, 2012** | **$ 5,303,718** | **$ 67,548,927** | **$ 72,852,645** |
| Current period benefit cost | 363,847 | 5,153,179 | 5,517,026 |
| Benefits payments/contributions | (525,660) | (4,108,946) | (4,634,606) |
| Interest on the accrued benefit obligation | 177,576 | 2,314,416 | 2,491,992 |
| Actuarial (gains)/losses | (169,581) | (2,916,446) | (3,086,027) |
| **Accrued benefit obligation as at June 30, 2013** | **$ 5,149,900** | **$ 67,991,130** | **$ 73,141,030** |

## ACCRUED SICK LEAVE

| | | |
|---|---|---|
| *Sick Leave (Teachers)* | | |
| Accrued benefit liability, beginning of year | $ 53,032,844 | $ 53,254,986 |
| Benefit expense | 6,016,979 | 5,832,781 |
| Benefits paid | (6,251,709) | (6,054,923) |
| **Accrued benefit liability (Teachers), end of year** | 52,798,114 | 53,032,844 |
| *Sick Leave (Board Employees)* | | |
| Accrued benefits liability, beginning of year | 2,515,495 | 2,515,618 |
| Benefit expense | 395,655 | 376,426 |
| Benefits paid | (388,787) | (376,549) |
| **Accrued benefit liability (Board Employees), end of year** | 2,522,363 | 2,515,495 |
| **Total Accrued Sick Leave Liability, end of year** | 55,320,477 | 55,548,339 |
| Unamortized portion of actuarial loss | 1,050,590 | 2,834,054 |
| **Total Accrued Sick Leave Obligation** | $ 56,371,067 | $ 58,382,393 |

***Reconciliation of Accrued Benefit Obligation from June 30 2011, to June 30, 2012***

| | Board Employees | Teachers | Total |
|---|---|---|---|
| **Accrued benefit liability as at June 30, 2011** | **$ 2,515,618** | **$ 53,254,986** | **$ 55,770,604** |
| Current period benefit cost | 270,534 | 3,595,690 | 3,866,224 |
| Benefits payments/contributions | (376,549) | (6,054,923) | (6,431,472) |
| Interest on the accrued benefit obligation | 105,892 | 2,237,091 | 2,342,983 |
| Actuarial (gains)/losses | 115,361 | 2,718,693 | 2,834,054 |
| **Accrued benefit obligation as at June 30, 2012** | **$ 2,630,856** | **$ 55,751,537** | **$ 58,382,393** |

***Reconciliation of Accrued Benefit Obligation from June 30, 2012 to June 30, 2013***

| | Board Employees | Teachers | Total |
|---|---|---|---|
| **Accrued benefit liability as at June 30, 2012** | **$ 2,630,856** | **$ 55,751,537** | **$ 58,382,393** |
| Current period benefit cost | 296,243 | 3,950,841 | 4,247,084 |
| Benefits payments/contributions | (388,787) | (6,251,709) | (6,640,496) |
| Interest on the accrued benefit obligation | 87,876 | 1,856,438 | 1,944,314 |
| Actuarial (gains)/losses | (66,210) | (1,496,018) | (1,562,228) |
| **Accrued benefit obligation as at June 30, 2013** | **$ 2,559,978** | **$ 53,811,089** | **$ 56,371,067** |

## 13. Obligation Under Capital Leases

The District has entered into capital leases with the Royal Bank of Canada for various copiers and laptops. The principal balance outstanding as at June 30, 2013 was $286,217 with a purchase option of $1. Interest has been imputed at various rates for these leases. Total interest paid on these leases for the year was $15,651 (2012 - $19,849).

Future minimum payments under these capital leases is as follows for the year ending in:

| | | |
|---|---|---|
| | 2014 | $ 103,365 |
| | 2015 | 76,267 |
| | 2016 | 76,719 |
| | 2017 | 48,639 |
| Total future minimum lease payments | | 304,990 |
| Less: amount representing interest | | 18,773 |
| | | $ 286,217 |

## 14. Lease Commitments

The District has entered a new three year premises lease effective June 1, 2013 for the following annual amounts, before HST: year 1 - $1,044,207, year 2 - $1,044,207 and year 3 - $1,044,207.

Furthermore, the District is committed under the terms of various operating leases to make payments in the next four years approximately as follows:

| | |
|---|---|
| 2013 | $94,311 |
| 2014 | $69,587 |
| 2015 | $69,587 |
| 2016 | $47,532 |

## 15. Financial Instruments

The District's financial instruments consist of cash, short-term investments, accounts receivable, accounts payable, employee benefits payable and long term obligations. It is management's opinion that the District is not exposed to significant interest rate risk, currency or credit risks arising from these financial statements.

The carrying value of the Districts financial instruments, with the exception of long-term receivables, approximate fair values due to the short-term maturity and normal credit terms of those instruments. The long-term receivables balance does not approximate fair value as it is non-interest bearing.

## 16. Insurance Subsidy

The cost of insuring school properties is incurred by the Province and no amount has been recorded in these accounts to reflect this cost.

## 17. Contingent Liabilities

Site restoration and remediation costs associated with school properties under the District are charged to operations as incurred. Estimated future site restoration and remediation costs have not been accrued in these financial statements since the obligation, if any, is presently not determinable. Such costs are normally funded by the Province.

### 18. Deferred Revenue

Deferred revenue represents funding designated for specific purposes for which the revenue recognition criteria has not been met. The funding is deferred and included in revenue when all eligibility criteria have been met. Deferred revenue is comprised of the following:

| | June 30, 2013 | June 30, 2012 | July 1, 2011 |
|---|---|---|---|
| Operations and maintenance | $ 1,174,676 | $ 1,523,133 | $ 983,410 |
| Instruction | 3,943,805 | 3,950,846 | 3,948,157 |
| Administration | 808,319 | 633,319 | 403,319 |
| | $ 5,926,800 | $ 6,107,298 | $ 5,334,886 |

### 19. Accumulated Surplus

The District has an annual Surplus of $19,009,308 for the year ending June 30, 2013, which consist of the following:

| | 2013 | 2012 |
|---|---|---|
| Annual surplus from operations - unrestricted | $ 19,009,308 | $ 11,587,470 |
| Add: expenditures not funded through operating grant | | |
| Amortization | 15,282,129 | 11,029,206 |
| Change in employee future benefits accrual | 3,550,448 | 4,728,877 |
| Less: non expenditure items funded through operating grant | | |
| principal payments on long-term debt and leases | (1,252,314) | (1,779,462) |
| capital asset additions | (545,824) | (235,419) |
| Less: capital transfers from government | (35,307,107) | (24,656,221) |
| Adjusted annual surplus from operating grant | $ 736,640 | $ 674,451 |

### 20. Restricted Surplus

In previous years, the Board of Trustees approved transfers totaling $1,370,659 to restricted equity for specified capital purposes.

### 21. Budget

The unaudited budget data presented in these non-consolidated financial statements is based upon the 2012-13 budget approved by the Board of Trustees. Capitalization of assets, amortization and accrued severance and sick leave are not reflected in the budgeted amounts. The chart below adjusts the approved budget to reflect the same basis of accounting.

| | |
|---|---|
| Original budgeted revenues | $ 404,126,662 |
| Add: capital transfers from government | 35,307,107 |
| **Revised budgeted revenues** | **439,433,769** |
| Original budgeted expenditures | 404,126,662 |
| Add: amortization of tangible capital assets | 15,282,129 |
| Add: change in in employee future benefits accrual | 3,550,448 |
| **Revised budgeted expenditures** | **422,959,239** |
| Original annual surplus (deficit) | |
| **Revised annual surplus (deficit)** | **$ 16,474,530** |

## 22. Subsequent Events

Subsequent to June 30, 2013, the District was amalgamated with the Western, Nova Central and Labrador School Districts to form the Newfoundland and Labrador English School District. Effective September 1, 2013, the four Districts were combined and now operate as one school district.

## 23. Comparative Figures

Certain of the 2012 amounts have been reclassified to conform with the financial statement presentation adopted for 2013.

**Eastern School District**
**Schedule 1**
**Current Revenues**

**For the Year Ended June 30, 2013**

| | Budget | June 30, 2013 | June 30, 2012 |
|---|---|---|---|
| 32 010 **Provincial government grants** | | | |
| 011 Regular operating grants | $ 57,464,600 | $ 57,023,559 | $ 56,733,576 |
| 016 Special grants | | 1,859,707 | 1,658,674 |
| 017 Directors, assistant directors and senior education officers salaries and benefits | 3,667,064 | 3,474,292 | 3,082,767 |
| 021 Teachers salaries and benefits | 311,540,197 | 325,685,680 | 321,478,104 |
| 023 Student assistants salaries and benefits | 7,239,450 | 9,170,793 | 8,994,326 |
| 031 Board owned pupil transportation | 3,572,900 | 3,507,068 | 3,648,360 |
| 032 Contracted pupil transportation | 17,258,891 | 17,167,579 | 16,924,839 |
| 033 Special needs pupil transportation | 2,828,560 | 3,141,016 | 2,758,564 |
| 035 Maintenance grants | | 1,103,113 | 4,363,565 |
| | 403,571,662 | 422,132,807 | 419,642,775 |
| 34 010 **Ancillary Services** | | | |
| 012 Revenues from bus charters | | 28,124 | 30,220 |
| 021 Revenues from rental of schools and facilities | 50,000 | 141,469 | 88,902 |
| 034 Summer and night school fees | | 150,422 | 140,560 |
| | 50,000 | 320,015 | 259,682 |
| 35 010 **Miscellaneous** | | | |
| 011 Interest on investments and bank | 75,000 | 309,453 | 235,784 |
| 092 Sundry revenue | 430,000 | 29,524 | 19,733 |
| 093 Gain on sale of property | | | 650,000 |
| | 505,000 | 338,977 | 905,517 |
| **Total Current Revenues** | $ 404,126,662 | $ 422,791,799 | $ 420,807,974 |

## Eastern School District
### Schedule 2
### Administration Expenditures

**For the Year Ended June 30, 2013**

| | Budget | June 30, 2013 | June 30, 2012 |
|---|---|---|---|
| 51 011 Directors, assistant directors and senior education officers salaries and benefits | $ 3,667,064 | $ 3,506,045 | $ 2,932,947 |
| 012 Board office personnel salaries and benefits | 2,620,306 | 2,622,322 | 2,705,106 |
| 013 Office supplies | 118,000 | 79,882 | 94,143 |
| 014 Replacement furniture and equipment | 93,500 | 29,817 | 86,226 |
| 015 Postage | 65,000 | 32,367 | 37,710 |
| 016 Telephone | 145,000 | 114,499 | 102,725 |
| 017 Office equipment rentals and repairs | 26,000 | 10,012 | 10,007 |
| 018 Bank charges | | 1,892 | 559 |
| 019 Electricity | 85,000 | 85,873 | 81,330 |
| 023 Repairs and maintenance | 7,000 | 5,005 | 5,062 |
| 024 Travel | 73,050 | 38,040 | 56,990 |
| 025 Board meeting expenses | 140,000 | 178,122 | 159,952 |
| 027 Professional fees | 247,000 | 257,372 | 166,271 |
| 028 Advertising and public relations | 70,000 | 29,660 | 55,105 |
| 029 Membership dues | 140,000 | 111,911 | 144,400 |
| 031 Municipal service fees | 8,500 | 4,286 | 6,099 |
| 032 Rental of office space | 773,704 | 808,533 | 752,077 |
| 034 Professional development and meetings | 1,346 | 15,697 | 7,878 |
| **Total Administration Expenditures** | $ 8,280,470 | $ 7,931,335 | $ 7,404,587 |

BYRON SMITH
CHARTERED ACCOUNTANT
MANAGEMENT CONSULTANT

**Eastern School District**
**Schedule 3**
**Instruction Expenditures**

**For the Year Ended June 30, 2013**

| | Budget | June 30, 2013 | June 30, 2012 |
|---|---|---|---|
| 52 010 **Instructional Salaries** | | | |
| 011 Regular teachers | $ 255,912,292 | $ 266,694,273 | $ 270,306,091 |
| 012 Substitute teachers | 11,717,352 | 14,071,846 | 13,748,931 |
| 013 Salaries and benefits - board employees | 747,602 | 679,514 | 671,285 |
| 015 Employee benefits - teachers | 43,910,553 | 44,912,689 | 37,419,247 |
| 016 Salaries and benefits - school secretaries | 5,815,068 | 5,515,583 | 5,515,246 |
| Salaries and benefits - IT staff | 1,607,033 | 1,442,842 | 1,342,512 |
| Salaries and benefits - program assistants | 62,511 | 55,321 | 74,101 |
| Salaries and benefits - student assistants | 7,239,450 | 9,170,793 | 8,994,326 |
| Change in employee futures benefits accrual | | 3,550,448 | 4,728,877 |
| | 327,011,861 | 346,093,309 | 342,800,616 |
| 52 040 **Instructional Materials** | | | |
| 041 General supplies | 6,572,000 | 5,897,265 | 6,053,313 |
| 043 Other | | 95,802 | 81,415 |
| | 6,572,000 | 5,993,067 | 6,134,728 |
| 52 060 **Instructional Furniture and Equipment** | | | |
| 061 Replacement | 43,000 | 41,555 | 169,249 |
| 52 080 **Instructional Staff Travel** | | | |
| 080 IT travel | 75,000 | 71,126 | 75,126 |
| 081 Program co-coordinators | 464,100 | 476,369 | 509,506 |
| 082 Teachers' travel | 15,000 | 35,620 | 23,358 |
| 083 Inservice and conferences | 66,059 | 196,369 | 112,833 |
| | 620,159 | 779,484 | 720,823 |
| 52 090 **Other Instructional Costs** | | | |
| 091 Postage and stationary | 73,300 | 41,195 | 47,800 |
| **Total Instruction Expenditures** | $ 334,320,320 | $ 352,948,610 | $ 349,873,216 |

## Eastern School District
### Schedule 4
### Operations and Maintenance Expenditures

**For the Year Ended June 30, 2013**

| | Budget | June 30, 2013 | June 30, 2012 |
|---|---|---|---|
| 53 011 Salaries and benefits - janitorial | $ 14,844,408 | $ 14,743,012 | $ 14,787,712 |
| 012 Salaries and benefits - maintenance | 3,531,270 | 3,336,536 | 3,445,225 |
| 014 Electricity | 7,265,745 | 7,363,532 | 7,002,231 |
| 015 Fuel | 2,216,574 | 1,812,186 | 2,110,937 |
| 016 Municipal service fee | 1,287,560 | 1,384,155 | 1,157,625 |
| 017 Telephone | 1,695,462 | 1,184,956 | 1,536,613 |
| 018 Vehicle operating and travel | 381,868 | 447,204 | 518,202 |
| 019 Janitorial supplies | 730,000 | 762,001 | 739,825 |
| 021 Janitorial equipment | 70,000 | 53,790 | 55,956 |
| 022 Repairs and maintenance - Fund 1 | 2,842,287 | 2,740,699 | 2,212,841 |
| 023 Repairs and maintenance - Fund 2 | | 1,179,614 | 4,392,424 |
| 024 Equipment maintenance | 20,000 | 39,425 | 20,921 |
| 025 Snow clearing | 1,930,932 | 1,916,807 | 1,840,105 |
| Principal payments on energy leases | 684,942 | | |
| **Total Operations and Maintenance** | $ 37,501,048 | $ 36,963,917 | $ 39,820,617 |

**Eastern School District**
**Schedule 5**
**Pupil Transportation Expenditures**

**For the Year Ended June 30, 2013**

| | Budget | June 30, 2013 | June 30, 2012 |
|---|---|---|---|
| 54 010 **Operation and Maintenance of Board Owned Fleet** | | | |
| 011 Salaries and benefits - administration | $ 151,915 | $ 151,923 | $ 143,606 |
| 012 Salaries and benefits - drivers and mechanics | 1,878,885 | 1,818,879 | 1,877,776 |
| 013 Payroll tax | | 32,060 | 32,739 |
| 014 Debt repayment- interest | 74,000 | 64,746 | 64,013 |
| 015 Principal payments on bus loans | 290,400 | | |
| 017 Gas and oil | 530,000 | 458,171 | 473,156 |
| 018 Licenses | 29,200 | 29,636 | 30,291 |
| 019 Insurance | 34,900 | 38,253 | 43,365 |
| 021 Repairs and maintenance - Fleet | 289,800 | 289,502 | 356,670 |
| 022 Building | 22,000 | 30,235 | 36,514 |
| 023 Tires and tubes | 65,600 | 58,261 | 42,170 |
| 024 Heat and light | 19,000 | 18,695 | 18,811 |
| 025 Municipal Service | 1,300 | | |
| 026 Snow clearing | 22,700 | 18,305 | 3,329 |
| 027 Office supplies | 10,200 | 6,841 | 8,790 |
| 028 Rent | | | 31,214 |
| 029 Travel | 12,000 | 10,035 | 14,594 |
| 031 Professional fees | 4,000 | | |
| 032 Miscellaneous | 95,000 | 99,103 | 47,532 |
| 033 Telephone | 42,000 | 46,782 | 41,991 |
| | 3,572,900 | 3,171,427 | 3,266,561 |
| 54 040 **Contracted Services** | | | |
| 041 Regular transportation | 17,176,391 | 17,079,813 | 16,837,352 |
| 042 Handicapped | 2,828,560 | 3,141,016 | 2,758,564 |
| 047 Salaries | 260,501 | 233,558 | 94,687 |
| 048 Travel | 4,000 | 8,306 | 5,108 |
| 049 Non funded misc | | 150,000 | 164 |
| 050 Non funded equipment and expenses | 45,000 | 127,252 | 1,969 |
| 051 Professional fees | 50,000 | 38,867 | 70,105 |
| **Total Pupil Transportation Expenditures** | $ 23,937,352 | $ 23,950,239 | $ 23,034,510 |



BYRON SMITH
CHARTERED ACCOUNTANT
MANAGEMENT CONSULTANT

## Eastern School District
### Schedule 6
### Miscellaneous Expenses

**For the Year Ended June 30, 2013**

| | June 30, 2013 | June 30, 2012 |
|---|---|---|
| 55 032 Summer school and night school fees | $ 150,421 | $ 150,775 |
| 57 011 Bad debt expense (recovery) | (38,317) | 126,468 |
| **Total Miscellaneous Expenditures** | $ 112,104 | $ 277,243 |



BYRON SMITH
CHARTERED ACCOUNTANT
MANAGEMENT CONSULTANT

Eastern School District
Schedule 7
Capital Assets

For the Year Ended June 30, 2013

| | Cost June 30, 2013 | Accumulated Amortization 2013 | NBV June 30, 2013 | NBV June 30, 2012 |
|---|---|---|---|---|
| 12 210 **Land and Sites** | $ 10,125,077 | | $ 10,125,077 | $ 10,125,077 |
| 12 220 **Buildings** | | | | |
| 221 Schools | 447,684,234 | $ 178,341,655 | 269,342,579 | 247,905,617 |
| 222 Administration | 5,620,567 | 2,320,893 | 3,299,674 | 3,358,444 |
| 223 Residential | 10,000 | 1,600 | 8,400 | 8,600 |
| 225 Other | 452,854 | 424,593 | 28,261 | 31,389 |
| | 453,767,655 | 181,088,741 | 272,678,914 | 251,304,050 |
| 12 230 **Furniture and Equip.** | | | | |
| 231 Schools | 32,339,469 | 31,244,438 | 1,095,031 | 1,330,305 |
| 232 Administration | 3,173,731 | 3,173,731 | | |
| 233 Residential | 850 | 850 | | |
| 235 Other | 27,648 | 27,648 | | |
| | 35,541,698 | 34,446,667 | 1,095,031 | 1,330,305 |
| 12 240 **Vehicles** | | | | |
| 241 Service vehicles | 1,143,789 | 833,713 | 310,076 | 454,628 |
| 12 250 **Pupil Transportation** | | | | |
| 252 Building | 152,886 | 29,616 | 123,270 | 124,328 |
| 253 Buses | 5,727,879 | 4,180,959 | 1,546,920 | 1,433,031 |
| 254 Service vehicles | 59,383 | 59,383 | | 7,423 |
| | 5,940,148 | 4,269,958 | 1,670,190 | 1,564,782 |
| 12 260 **Misc. Capital Assets** | | | | |
| Computers | 894,464 | 894,464 | | |
| Tools | 18,162 | 18,162 | | |
| Water lines | 29,151 | 7,774 | 21,377 | 22,349 |
| | 941,777 | 6,754,703 | 21,377 | 22,349 |
| Subtotal | 507,460,144 | 221,559,479 | 285,900,665 | 264,801,191 |
| Energy retrofit | 5,834,303 | 5,834,303 | | |
| **Total Capital Assets** | $ 513,294,447 | $ 227,393,782 | $ 285,900,665 | $ 264,801,191 |

Eastern School District
Schedule 7A
Details of Capital Assets - Additions and Disposals

For the Year Ended June 30, 2013

| | Cost June 30, 2012 | Additions 2013 | Disposals 2013 | Cost June 30, 2013 |
|---|---|---|---|---|
| 12 210 **Land and Sites** | $ 10,125,077 | | | $ 10,125,077 |
| 12 220 **Buildings** | | | | |
| 221 Schools | 411,945,525 | $ 35,738,709 | | 447,684,234 |
| 222 Administration | 5,590,942 | 29,625 | | 5,620,567 |
| 223 Residential | 10,000 | | | 10,000 |
| 225 Other | 452,854 | | | 452,854 |
| | 417,999,321 | 35,768,334 | | 453,767,655 |
| 12 230 **Furniture and Equip.** | | | | |
| 231 Schools | 32,185,483 | 153,986 | | 32,339,469 |
| 232 Administration | 3,173,731 | | | 3,173,731 |
| 233 Residential | 850 | | | 850 |
| 235 Other | 27,648 | | | 27,648 |
| | 35,387,712 | 153,986 | | 35,541,698 |
| 12 240 **Vehicles** | | | | |
| 241 Service vehicles | 1,144,482 | 27,113 | $ 27,806 | 1,143,789 |
| 12 250 **Pupil Transportation** | | | | |
| 252 Building | 152,886 | | | 152,886 |
| 253 Buses | 5,284,587 | 443,292 | | 5,727,879 |
| 254 Service vehicles | 59,383 | | | 59,383 |
| | 5,496,856 | 443,292 | | 5,940,148 |
| 12 260 **Misc. Capital Assets** | | | | |
| Computers | 894,464 | | | 894,464 |
| Tools | 18,162 | | | 18,162 |
| Water lines | 29,151 | | | 29,151 |
| | 941,777 | | | 941,777 |
| Subtotal | 471,095,225 | 36,392,725 | 27,806 | 507,460,144 |
| Energy retrofit | 5,834,303 | | | 5,834,303 |
| **Total Capital Assets** | $ 476,929,528 | $ 36,392,725 | $ 27,806 | $ 513,294,447 |



BYRON SMITH
CHARTERED ACCOUNTANT
MANAGEMENT CONSULTANT

Eastern School District
Schedule 7B
Details of Capital Assets - Amortization

For the Year Ended June 30, 2013

| | Accumulated Amortization 2012 | Amortization 2013 | Amortization on disposals 2013 | Change in Amortization 2013 | Accumulated Amortization 2013 |
|---|---|---|---|---|---|
| 12 210 **Land and Sites** | $ | $ | $ | $ | $ |
| 12 220 **Buildings** | | | | | |
| 221 Schools | 164,039,908 | 14,301,747 | | 14,301,747 | 178,341,655 |
| 222 Administration | 2,232,498 | 88,395 | | 88,395 | 2,320,893 |
| 223 Residential | 1,400 | 200 | | 200 | 1,600 |
| 225 Other | 421,465 | 3,128 | | 3,128 | 424,593 |
| | 166,695,271 | 14,393,470 | | 14,393,470 | 181,088,741 |
| 12 230 **Furniture and Equip.** | | | | | |
| 231 Schools | 30,855,178 | 389,229 | | 389,229 | 31,244,407 |
| 232 Administration | 3,173,731 | | | | 3,173,731 |
| 233 Residential | 850 | 31 | | 31 | 881 |
| 235 Other | 27,648 | | | | 27,648 |
| | 34,057,407 | 389,260 | | 389,260 | 34,446,667 |
| 12 240 **Vehicles** | | | | | |
| 241 Service vehicles | 689,854 | 160,543 | 16,684 | 143,859 | 833,713 |
| 12 250 **Pupil Transportation** | | | | | |
| 252 Building | 28,558 | 1,058 | | 1,058 | 29,616 |
| 253 Buses | 3,851,556 | 329,403 | | 329,403 | 4,180,959 |
| 254 Service vehicles | 51,960 | 7,423 | | 7,423 | 59,383 |
| | 3,932,074 | 337,884 | | 337,884 | 4,269,958 |
| 12 260 **Misc. Capital Assets** | | | | | |
| Computers | 894,464 | | | | 894,464 |
| Tools | 18,162 | | | | 18,162 |
| Water lines | 6,802 | 972 | | 972 | 7,774 |
| | 919,428 | 972 | | 972 | 920,400 |
| Subtotal | 206,294,034 | 15,282,129 | 16,684 | 15,265,445 | 221,559,479 |
| Energy retrofit | 5,834,303 | | | | 5,834,303 |
| **Total Capital Assets** | $ 212,128,337 | $ 15,282,129 | $ 16,684 | $ 15,265,445 | $ 227,393,782 |



BYRON SMITH
CHARTERED ACCOUNTANT
MANAGEMENT CONSULTANT

**Eastern School District**
**Schedule 8**
**Long-Term Debt**

**For the Year Ended June 30, 2013**

| | June 30, 2013 | June 30, 2012 |
|---|---|---|
| **211 Bank Loans** | | |
| BMO unsecured loan, bearing interest at prime + 2.0%, repayable in monthly installments of $9,443 plus interest, maturing September 2014. | $ 132,205 | $ 245,523 |
| **221 Pupil Transportation Vehicle Bank Loans** | | |
| Scotiabank unsecured loan, bearing interest at prime + 2%, repayable in blended monthly installments of $521, maturing March 2013. | | 4,691 |
| BMO unsecured loan, bearing interest at prime + 2%, repayable in blended monthly installments of $5,744, maturing July 2013. | 6,311 | 75,237 |
| BMO unsecured loan, bearing interest at prime + 2%, repayable in blended monthly installments of $1,095, maturing May 2014. | 13,141 | 26,283 |
| BMO unsecured loan, bearing interest at prime + 2%, repayable in monthly installments of $1,679 plus interest, maturing September 2014 | 26,867 | 47,018 |
| BMO unsecured loan, bearing interest at prime + 2%, repayable in monthly installments of $3,910 plus interest, maturing June 2015. | 93,850 | 140,775 |
| BMO unsecured loan, bearing interest at 4.55%, repayable in blended monthly installments of $4,393, maturing September 2015. | 202,396 | 244,860 |
| BMO unsecured loan, bearing interest at prime + 2%, repayable in monthly installments of $4,336 plus interest, maturing May 2016. | 151,758 | 203,789 |
| RBC unsecured loan, bearing interest at 5.046%, repayable in blended monthly installments of $4,320, maturing October 2018. | 241,792 | 280,368 |
| BMO unsecured loan, bearing interest at 3.59%, repayable in blended monthly installments of $2,256, maturing September 2022. | 212,823 | 231,882 |
| RBC unsecured loan, bearing interest at 2.6%, repayable in blended monthly installments of $3,759, maturing September 2023. | 404,905 | 439,511 |
| RBC unsecured loan, bearing interest at 3.02%, repayable in blended monthly installments of $3,788, maturing September 2024. | 433,064 | |
| Total Pupil Transportation Vehicle Bank Loans | 1,786,907 | 1,694,414 |
| **Total Long-Term Debt** | $ 1,919,112 | $ 1,939,937 |

**Eastern School District**
**Schedule 8A**
**Details of Long-Term Debt and Interest Expense**

**For the Year Ended June 30, 2013**

**Long-Term Debt**

| Description | Balance Beginning of Year | Loans Obtained During Year | Principal Repayment for Year | Balance End of Year |
|---|---|---|---|---|
| Equipment | $ 245,523 | | $ 113,318 | $ 132,205 |
| Transportation | 1,694,414 | $ 457,044 | 364,551 | 1,786,907 |
| Total Loans | $ 1,939,937 | $ 457,044 | $ 477,869 | $ 1,919,112 |

**Annual principal payments**

Annual principal payments to maturity are as follows:

| | |
|---|---|
| 2014 | $ 518,385 |
| 2015 | $ 374,367 |
| 2016 | $ 307,700 |
| 2017 | $ 241,648 |
| 2018 | $ 160,149 |
| Thereafter | $ 603,076 |

**Interest Expense**

| | June 30, 2013 | June 30, 2012 |
|---|---|---|
| Equipment | $ 15,650 | $ 20,414 |
| Service vehicles | | 20,805 |
| Energy management - capital lease | 19,422 | 51,609 |
| Total expense | $ 35,072 | $ 92,828 |

Note: Interest expense related to bank loans for pupil transportation vehicles of $64,746 (2012 - $64,013) is included with Pupil Transportation Expenditures on schedule 5.



BYRON SMITH
CHARTERED ACCOUNTANT
MANAGEMENT CONSULTANT

# HERITAGE FOUNDATION OF NEWFOUNDLAND AND LABRADOR

## FINANCIAL STATEMENTS

## MARCH 31, 2014

Office of the Auditor General

**Management's Report**

***Management's Responsibility for the Heritage Foundation 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 Foundation, 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 Heritage Foundation of Newfoundland and Labrador.

On behalf of the Heritage Foundation of Newfoundland and Labrador.

George Chalker
Executive Director

Madonna Sullivan
Financial Manager

# INDEPENDENT AUDITOR'S REPORT

To the Chairperson and Members
Heritage Foundation of Newfoundland and Labrador
St. John's, Newfoundland and Labrador

## Report on the Financial Statements

I have audited the accompanying financial statements of the Heritage Foundation of Newfoundland and Labrador which comprise the statement of financial position as at March 31, 2014, the statements of operations, change in net financial assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

*Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these 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.

*Auditor's Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 financial statements.

## Independent Auditor's Report (cont.)

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

*Opinion*

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Heritage Foundation of Newfoundland and Labrador as at March 31, 2014, and its financial performance and its cash flows for the year then ended, in accordance with Canadian public sector accounting standards.

**TERRY PADDON, CA**
**Auditor General**

July 21, 2014
St. John's, Newfoundland and Labrador

# HERITAGE FOUNDATION OF NEWFOUNDLAND AND LABRADOR
## STATEMENT OF FINANCIAL POSITION
As at March 31

| | 2014 | 2013 |
|---|---|---|
| **FINANCIAL ASSETS** | | |
| Cash | $ 120,580 | $ 103,225 |
| Portfolio investments (Note 3) | 1,511,913 | 1,487,495 |
| Accounts receivable (Note 4) | 80,356 | 393,263 |
| | 1,712,849 | 1,983,983 |
| **LIABILITIES** | | |
| Accounts payable and accrued liabilities (Note 5) | 124,401 | 49,350 |
| Employee future benefits (Note 6) | 79,363 | 77,215 |
| Deferred revenue (Note 7) | 1,158,866 | 1,462,941 |
| | 1,362,630 | 1,589,506 |
| **Net financial assets** | 350,219 | 394,477 |
| **NON-FINANCIAL ASSETS** | | |
| Tangible capital assets, net (Note 8) | - | 598 |
| Prepaid expenses | 1,129 | 383 |
| | 1,129 | 981 |
| **Accumulated surplus (Note 9)** | $ 351,348 | $ 395,458 |

Contractual obligations (Note 13)

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

**Signed on behalf of the Foundation:** ______________________ **Chairperson** ______________________ **Member**

# HERITAGE FOUNDATION OF NEWFOUNDLAND AND LABRADOR
## STATEMENT OF OPERATIONS
### For the Year Ended 31 March

| | 2014 Budget | 2014 Actual | 2013 Actual |
|---|---|---|---|
| | (Note 15) | | |
| **REVENUES** | | | |
| Province of Newfoundland and Labrador (Note 16) | $ 976,390 | $ 889,145 | $ 559,904 |
| Government of Canada | - | 6,300 | - |
| Donation | - | 50,000 | - |
| Income from portfolio investments | - | 33,396 | 31,423 |
| Miscellaneous | 20,000 | 28,344 | 10,011 |
| | 996,390 | 1,007,185 | 601,338 |
| **EXPENSES (Note 10)** | | | |
| Heritage grants | 196,000 | 151,186 | 137,900 |
| Fisheries Heritage Preservation Initiative | - | 14,685 | 14,183 |
| Special projects (Note 11) | 407,890 | 363,710 | 10,265 |
| Administration | 314,651 | 375,683 | 328,727 |
| Intangible Cultural Heritage Strategy (Note 12) | 125,300 | 146,031 | 140,650 |
| | 1,043,841 | 1,051,295 | 631,725 |
| **Annual deficit** | (47,451) | (44,110) | (30,387) |
| **Accumulated surplus, beginning of year** | 395,458 | 395,458 | 425,845 |
| **Accumulated surplus, end of year** | $ 348,007 | $ 351,348 | $ 395,458 |

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

# HERITAGE FOUNDATION OF NEWFOUNDLAND AND LABRADOR
## STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
### For the Year Ended March 31

| | 2014 Budget (Note 15) | 2014 Actual | 2013 Actual |
|---|---|---|---|
| Annual deficit | $ - | $ (44,110) | $ (30,387) |
| **Tangible capital assets** | | | |
| Amortization of tangible capital assets | - | 598 | 4,021 |
| | - | 598 | 4,021 |
| **Prepaid expenses** | | | |
| Acquisition of prepaid expense | - | (1,750) | (1,750) |
| Use of prepaid expense | - | 1,004 | 1,750 |
| | - | (746) | - |
| **Decrease in net financial assets** | - | (44,258) | (26,366) |
| **Net financial assets, beginning of year** | - | 394,477 | 420,843 |
| **Net financial assets, end of year** | $ - | $ 350,219 | $ 394,477 |

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

# HERITAGE FOUNDATION OF NEWFOUNDLAND AND LABRADOR
## STATEMENT OF CASH FLOWS

| For the Year Ended March 31 | 2014 | 2013 |
|---|---|---|
| **Operating transactions** | | |
| Annual deficit | **$ (44,110)** | $ (30,387) |
| Adjustment for non-cash items | | |
| Amortization of tangible capital assets | **598** | 4,021 |
| | **(43,512)** | (26,366) |
| Change in non-cash operating items | | |
| Accounts receivable | **312,907** | (351,206) |
| Accounts payable and accrued liabilities | **75,051** | (11,266) |
| Employee future benefits | **2,148** | 2,575 |
| Deferred revenue | **(304,075)** | 449,561 |
| Prepaid expense | **(746)** | - |
| **Cash provided from operating transactions** | **41,773** | 63,298 |
| **Investing transactions** | | |
| Purchase of portfolio investments | **(954,418)** | (660,605) |
| Redemption of portfolio investments | **930,000** | 555,000 |
| **Cash applied to investing transactions** | **(24,418)** | (105,605) |
| **Increase (decrease) in cash** | **17,355** | (42,307) |
| **Cash, beginning of year** | **103,225** | 145,532 |
| **Cash, end of year** | **$ 120,580** | $ 103,225 |

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

## 1. Nature of operations

The Heritage Foundation of Newfoundland and Labrador (the Foundation) operates under the authority of the *Historic Resources Act*. Its affairs are managed by members of the Foundation appointed by the Lieutenant-Governor in Council.

The objectives of the Foundation are:

(a) to stimulate an understanding of and appreciation for the architectural heritage of the Province;

(b) to support and contribute to the preservation, maintenance and restoration of buildings and other structures of architectural or historical significance in the Province; and

(c) to contribute to the increase and diffusion of knowledge about the architectural heritage of the Province.

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

### (b) Financial instruments

The Foundation's financial instruments recognized on the statement of financial position consist of cash, portfolio investments, accounts receivable, and accounts payable and accrued liabilities. The Foundation 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 Foundation subsequently measures all of its financial assets and financial liabilities at cost.

The carrying values of cash, portfolio investments, accounts receivable, and accounts payable and accrued liabilities approximate fair value due to their nature and/or the short term maturity associated with these instruments.

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

**2. Summary of significant accounting policies (cont.)**

**(c) Cash**

Cash includes cash in the bank.

**(d) Deferred revenue**

Deferred revenue consists of contributions received from the Province of Newfoundland and Labrador to be used for the payment of heritage grants and other heritage initiatives as directed by the Province. These contributions are recognized as revenue in the fiscal year the related expenses are incurred.

**(e) Employee future benefits**

i. Severance pay is calculated based on years of service and current salary levels. Entitlement to severance pay vests with employees after nine years of continuous service, and accordingly a liability has been recorded for these employees. The amount is payable when the employee ceases employment with the Foundation unless the employee transfers to another entity in the public service, in which case the liability is transferred with the employee to the other entity.

ii. The employees of the Foundation are covered by the *Public Service Pensions Act, 1991*, or a self-directed RRSP. For employees covered by the self-directed RRSP, the Foundation will contribute at the same rates as the Public Service Pension Plan based on the employee's salary to the self-directed RRSP but there is no requirement for the employee to match the contributions. Contributions to the Public Service Pension Plan are required from certain employees and are matched by the Foundation. Contributions related to the Public Service Pension Plan are remitted to the Province of Newfoundland and Labrador Pooled Pension Fund from which pensions will be paid to employees when they retire.

The contributions of the Foundation to both the self-directed RRSPs and the Public Service Pension Plan are recorded as an expense for the year.

**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:

| | |
|---|---|
| Systems development | 5 years |
| Office and computer equipment | 5 years |

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Foundation's ability to provide 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.

Minor tangible capital asset purchases are charged to operations in the year of acquisition.

**(g) Prepaid expenses**

Prepaid expenses are charged to the expense over the periods expected to benefit from it.

**(h) Revenues**

Revenues are recognized in the periods 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.

The Foundation recognizes government transfers as revenues when the transfer is authorized, any eligibility criteria are met, except when and to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability for the Foundation. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Government transfers consist of funding from the Province of Newfoundland and Labrador and the Government of Canada.

Income from portfolio investments is recorded as earned.

## 2. Summary of significant accounting policies (cont.)

### (i) 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.

Government transfers are recognized as expenses in the period in which the transfer is authorized and all eligibility criteria have been met. Government transfers include grants and subsidies under the Foundation's Registered Heritage Structures grant program, the Fisheries Heritage Preservation grant program, and other projects as directed by the Province.

### (j) 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 tangible capital assets and estimated employee future benefits.

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. Portfolio investments

| | **2014** | 2013 |
|---|---|---|
| Portfolio investments, at cost | **$ 1,511,913** | $ 1,487,495 |
| Portfolio investments, at market | **$ 1,511,913** | $ 1,487,495 |

Investments consist of Guaranteed Investment Certificates, with maturity dates ranging from June 30, 2014 to November 6, 2017 and interest rates ranging from 1.20% to 2.45%.

## 4. Accounts receivable

| | 2014 | 2013 |
|---|---|---|
| Investment income receivable | **$ 21,920** | $ 21,552 |
| Harmonized sales tax receivable | **49,040** | 8,452 |
| Province of Newfoundland and Labrador | **6,000** | 362,314 |
| Trade accounts receivable | **3,396** | 945 |
| | **$ 80,356** | $ 393,263 |

There is no allowance for doubtful accounts since all amounts are considered collectible.

## 5. Accounts payable and accrued liabilities

| | 2014 | 2013 |
|---|---|---|
| Trade accounts payables and accruals | **$ 87,240** | $ 11,839 |
| Accrued employee benefits | **37,161** | 37,511 |
| | **$ 124,401** | $ 49,350 |

## 6. Employee future benefits

(a) Severance pay

Employee future benefits consist of the liability for severance pay of $79,363 (2013 - $77,215).

(b) Retirement benefits

The Foundation and its employees contribute to the Public Service Pension Plan in accordance with the *Public Service Pensions Act, 1991*. The Government of Newfoundland and Labrador administers the Public Service Pension Plan, including payment of pension benefits to employees to whom the *Act* applies. The Public Service Pension Plan is a multi-employer, defined benefit plan.

The plan provides a pension to employees based on their length of service and rates of pay. The maximum contribution rate for eligible employees was 8.6% (2013 - 8.6%). The Foundation's contributions equal the employees' contributions to the plan. The Foundation is not required to make contributions in respect of any actuarial deficiencies of the plan. The pension expense for the Foundation at March 31, 2014, was $8,225 (2013 - $8,038).

For those employees not covered by the Public Service Pension Plan, the Foundation will make an annual contribution equal to the rate provided under the Public Service Pension Plan (maximum of 8.6% of the employee's salary) salary to a self-directed RRSP. There is no requirement that the employee make a matching contribution. Contributions to self-directed RRSPs for the year ended March 31, 2014, were $12,425 (2013 - $12,436)

## 7. Deferred revenue

Deferred revenue consists of contributions received from the Province of Newfoundland and Labrador to be used for the payment of heritage grants and other heritage initiatives as directed by the Province.

| | 2014 | 2013 |
|---|---|---|
| Registered Heritage Structures | $ 810,844 | $ 775,085 |
| Fisheries Heritage Preservation Program | 86,901 | 101,586 |
| Ecclesiastical Structures | 115,000 | 115,000 |
| Registered Heritage Districts | 101,855 | 116,880 |
| Helicopter Crash Memorial | 44,266 | 354,390 |
| | $ 1,158,866 | $ 1,462,941 |

## 8. Tangible capital assets

| | Systems development | Office and computer equipment | Total |
|---|---|---|---|
| Balance, March 31, 2013 | $ 267,096 | $ 65,558 | $ 332,654 |
| Additions | - | - | - |
| Balance, March 31, 2014 | 267,096 | 65,558 | 332,654 |
| Balance, March 31, 2013 | 266,815 | 65,241 | 332,056 |
| Amortization expense | 281 | 317 | 598 |
| Balance, March 31, 2014 | 267,096 | 65,558 | 332,654 |
| **Net book value, March 31, 2014** | **$ -** | **$ -** | **$ -** |
| Net book value, March 31, 2013 | $ 281 | $ 317 | $ 598 |

## 9. Accumulated surplus

Section 25 of the *Historic Resources Act* requires the Foundation to maintain a Fund of monies voted to it by the Legislature and of other monies received by way of gift, bequest, donation or otherwise. Disbursements from the Fund may be made by the Foundation for the purposes set out in the Legislation. The Fund consists of the accumulated surplus of the Foundation. As at March 31, 2014, the Fund balance was $351,348 (2013 - $395,458).

## 10. Expenses by object

The following is a summary of expenses by object:

| | 2014 Actual | 2013 Actual |
|---|---|---|
| Salaries and benefits | $ 404,053 | $ 375,728 |
| Grants | 217,918 | 161,464 |
| Professional services | 314,443 | 12,376 |
| Purchased services | 81,746 | 49,528 |
| Travel | 24,508 | 21,009 |
| Amortization | 598 | 4,021 |
| Communications | 5,599 | 5,384 |
| Property, furnishings and equipment | 2,430 | 2,215 |
| | $1,051,295 | $ 631,725 |

## 11. Special projects

The Foundation incurred expenses related to the following special projects.

| | 2014 Actual | 2013 Actual |
|---|---|---|
| Vokey Film Documentary | $ - | $ 5,000 |
| O'Brien Farm Foundation | 50,000 | - |
| Helicopter Memorial | 300,124 | - |
| UNESCO | 2,863 | - |
| Other | 10,723 | 5,265 |
| | $ 363,710 | $ 10,265 |

## 12. Intangible Cultural Heritage Strategy

In 2008, the Province appointed the Foundation to lead and implement the Province's Intangible Cultural Heritage Strategy. The mission of the Strategy is to safeguard and sustain the Intangible Cultural Heritage of Newfoundland and Labrador for present and future generations, as a vital part of the identities of Newfoundlanders and Labradorians, and as a valuable collection of unique knowledge and customs. During the year, the Foundation recognized $127,713 (2013 - $108,086) in revenue related to the Strategy. The Foundation also incurred expenses of $146,031 (2013 - $140,650) related to the Strategy.

## 13. Contractual obligations

(a) Grant commitments

As at March 31, 2014, the Foundation had committed $425,892 (2013 - $459,920) in the form of heritage grants approved but not yet disbursed or rescinded. Future disbursements related to these heritage grants will be recorded as reductions to deferred revenue. The Foundation adopted a policy with respect to heritage grant commitments requiring that all grants approved be available for a period of two years from the date of grant approval. Clients not utilizing the heritage grants within this timeframe will forfeit their right to these heritage grants, unless an extension is granted.

As at March 31, 2014, the Foundation had also committed $0 (2013 - $6,000) in the form of Fisheries Heritage Preservation Initiative grants approved but not yet disbursed or rescinded. Future disbursements related to these Fisheries Heritage Preservation Initiative grants will be recorded as reductions to deferred revenue. The Foundation's policy with respect to Fisheries Heritage Preservation Initiative grant commitments requires that all grants approved be available for a period of one year from the date of grant approval. Clients not utilizing the Fisheries Heritage Preservation Initiative grants within this timeframe will forfeit their right to these grants, unless an extension is granted.

(b) Operating lease obligation

Office equipment has been leased by the Foundation. Minimum lease payments over the term of the lease are as follows:

| | |
|---|---|
| 2014 | $ 3,246 |
| 2015 | 3,246 |
| 2016 | 1,628 |
| | $ 8,120 |

## 14. Financial risk management

The Foundation 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 Foundation is exposed to through its financial instruments are credit risk, liquidity risk and market risk. There was no significant change in the Heritage Foundation of Newfoundland and Labrador'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 Foundation's main credit risk relates to cash, portfolio investments and accounts receivable. The Foundation's maximum exposure to credit risk is the carrying amounts of these financial instruments. The Foundation is not exposed to significant credit risk with its cash or portfolio investments because these financial instruments are held with a Chartered Bank. The Foundation is not exposed to significant credit risk related to its accounts receivable as these amounts are due primarily from the Province of Newfoundland and Labrador, a Chartered Bank, or the Government of Canada. Accordingly, there is no allowance for doubtful accounts as all amounts are considered collectible.

Liquidity risk

Liquidity risk is the risk that the Foundation will be unable to meet its financial liabilities and contractual obligations. The Foundation's exposure to liquidity risk relates mainly to its accounts payable and accrued liabilities and its contractual obligations as disclosed in Note 13. The Foundation manages liquidity risk by monitoring its cash flows and ensuring that it has sufficient resources available to meet its financial liabilities and contractual obligations.

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 Foundation is not exposed to significant foreign exchange or other price risk. The Foundation is not exposed to significant interest rate risk related to its portfolio investments because these investments have fixed interest rates and fixed values at maturity.

## 15. Budgeted figures

Budgeted figures, which have been prepared on a cash basis, are provided for comparison purposes and have been derived from the estimates approved by the Board of Directors of the Foundation.

## 16. Related party transactions

(a) The Foundation receives grant funding from the Province of Newfoundland and Labrador. During the year, the Foundation received grants totaling $585,070 (2013 - $1,009,465). The Foundation recognized $889,145 (2013 - $559,904) in revenue from the Province of Newfoundland and Labrador.

(b) The Foundation leases office space from the Province of Newfoundland and Labrador at an annual rate of $1.

(c) The Foundation received revenues of $1,843 (2013 - $0) from related parties.

(d) The Foundation incurred expenses of $5,000 (2013 - $5,141) with related parties.

(e) Accounts receivable includes amounts due from related parties of $6,000 (2013 - $362,314)

## 17. 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 Foundation. For non-financial assets, the future economic benefit consists of their capacity to render service to further the Foundation's objectives.

# LABRADOR SCHOOL BOARD

## Financial statements

## Year Ended June 30, 2013

**HARRIS RYAN**
*Chartered Accountants*

INDEPENDENT AUDITORS' REPORT

**To the Board of Trustees of the Newfoundland and Labrador English School District**

We have audited the accompanying financial statements of the former Labrador School Board, which comprise the statement of financial position as at June 30, 2013 and the statements of operations and accumulated surplus, cash flows and changes in net debt for the year then ended, and a summary of significant accounting policies and other explanatory information.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these 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.

**Auditors' Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making these risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 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 financial statements present fairly, in all material respects, the financial position of the former Labrador School Board as at June 30, 2013 and the results of its operations and accumulated surplus, cash flows and changes in net debt for the year then ended in accordance with Canadian public sector accounting standards.

**Comparative information**

Without modifying our opinion, we draw attention to note 2 to the financial statements which describes that the former Labrador School Board adopted Canadian public sector accounting standards on July 1, 2012 with a transition date of July 1, 2011. These standards were applied retrospectively by management to the comparative information in these financial statements, including the statement of financial position as at June 30, 2012 and July 1, 2011 and the statements of operations and accumulated surplus , cash flows and changes in net debt for the year ended June 30, 2012 and related disclosure. We were not engaged to report on the restated comparative information, and as such, it is unaudited.

Harris Ryan
CHARTERED ACCOUNTANTS

St. John`s, Newfoundland and Labrador
April 9, 2014

## Labrador School Board

Statement of Financial Position

Year Ended June 30,2013

| | June 30,2013 | June 30,2012 | July 1,2011 |
|---|---|---|---|
| **Financial Assets** | | | |
| Cash (Note 4) | $ 2,893,441 | $ 754,256 | $ 1,519,043 |
| Short-term Investments (Note 5) | 763,026 | 3,510,062 | 3,021,099 |
| Accounts Receivable (Note 6) | 228,466 | 183,250 | 233,014 |
| Due from Government Entities (Note 6) | 4,004,134 | 4,033,628 | 3,625,615 |
| | 7,889,066 | 8,481,196 | 8,398,770 |
| **Liabilities** | | | |
| Accounts Payable and Accrued Liabilities (Note 10) | 929,979 | 1,220,228 | 1,219,447 |
| Teachers' Vacation Pay (Note 7) | 3,585,589 | 3,563,760 | 3,413,989 |
| Long-term Debt ( Schedule 8 and 8A) | 1,697,527 | 1,261,178 | 785,525 |
| Obligation under Capital Lease | - | - | - |
| Employee Future Benefits | | | |
| Teacher Severance Pay Benefits (Note 3 and Note 8) | 6,047,293 | 5,648,098 | 5,246,844 |
| Student assistant Severance Pay Benefits (Note 8) | 87,230 | 72,626 | 66,390 |
| Board employees Severance pay benefits (Note 8) | 1,046,228 | 1,014,098 | 977,452 |
| Accrued Sick benefits (Note 8) | 4,564,986 | 4,543,941 | 4,530,330 |
| Executive Staff paid leave | 302,589 | 255,446 | 265,285 |
| Deferred Revenue | 2,273,441 | 2,642,808 | 2,658,805 |
| | 20,534,862 | 20,222,183 | 19,164,067 |
| **Net Surplus (Debt)** | (12,645,796) | (11,740,986) | (10,765,296) |
| **Non-Financial Assets** | | | |
| Prepaid Expenses (Note 8) | - | 19,978 | 15,513 |
| Restricted assets - Labrador West School Committee | (84,884) | (79,034) | (61,721) |
| Capital Assets (Schedule 7 and Note 2) | 66,108,168 | 67,528,597 | 70,461,026 |
| | 66,023,284 | 67,469,541 | 70,414,818 |
| **Accumulated Surplus/Deficit** | $ 53,377,488 | $ 55,728,555 | $ 59,649,521 |

**Contingent Liabilities (Note 13)**

**On Behalf of the District:**

Chairperson

Treasurer

## Labrador School Board

Statement of Operations
Year Ended June 30,2013

| | 2013 | Budget | 2012 |
|---|---|---|---|
| **30. Revenue** | | | |
| Provincial Government Grants (Schedule 1) | $ 47,925,134 | $ 14,698,803 | $ 46,800,273 |
| Donations (Schedule 1) | 49,323 | 0 | 29,047 |
| Ancillary Services (Schedule 1) | 270,466 | 242,600 | 257,112 |
| Miscellaneous (Schedule 1) | 71,001 | 37,500 | 33,246 |
| | 48,315,924 | 14,978,903 | 47,119,678 |
| **50. Expenditures** | | | |
| Administration (Schedule 2) | 2,018,825 | 1,877,074 | 2,175,191 |
| Instruction (Schedule 3) | 34,544,904 | 5,603,345 | 35,225,567 |
| Operations and Maintenance (Schedule 4) | 6,614,401 | 4,527,576 | 6,145,385 |
| Pupil Transportation (Schedule 5) | 2,671,877 | 2,712,600 | 2,819,620 |
| Miscellaneous (Schedule 6) | 222,278 | 252,808 | 172,282 |
| Amortization of Capital Assets (Notes 2 and Schedule 7) | 4,036,397 | - | 4,040,915 |
| Interest | 6,228 | 5,500 | 6,863 |
| Change in Sick leave accrual | 21,046 | | 13,611 |
| Change in non-teacher severance liability | 131,841 | | 39,955 |
| Change in Teachers' Severance Liability | 399,195 | | 401,254 |
| | 50,666,991 | 14,978,903 | 51,040,644 |
| **Annual Surplus/Deficit** | $ (2,351,067) | $ - | $ (3,920,966) |
| **Accumulated Surplus/Deficit, Beginning of Year** | $ 55,728,555 | | $ 59,649,521 |
| **Accumulated Surplus/Deficit, End of Year** | $ 53,377,488 | $ - | $ 55,728,555 |

## Labrador School Board

Statement of Cash Flows

Year Ended June 30,2013

| | June 30,2013 | June 30,2012 |
|---|---|---|
| **Operating Transactions** | | |
| **Annual Surplus/Deficit** | $ (2,351,067) | $ (3,920,966) |
| Adjustments for: | | |
| Amortization of Capital Assets | $ 4,036,397 | $ 4,040,915 |
| Capital Grants Provincial and Other | - | - |
| Increase in Severance Pay Accrual | 131,841 | 42,875 |
| Increase in Teacher's Severance Liability | 399,195 | 401,254 |
| Change in sick leave accrual | 21,046 | 13,611 |
| Increase in Other Employee Benefits Liability | 47,143 | (9,839) |
| Short Term Investments | 2,747,036 | (488,963) |
| Deferred revenue | (369,367) | (15,997) |
| Changes in Non-Cash Assets and Liabilities Related | (343,421) | (194,844) |
| | 4,318,803 | (131,955) |
| **Capital Transactions** | | |
| Construction and Purchase of Tangible Capital Assets | (2,615,967) | (1,108,487) |
| Capital Asset Contributions | - | - |
| **Cash Provided by Capital Transactions** | (2,615,967) | (1,108,487) |
| **Financing Transactions** | | |
| Proceeds from Obligation Under Capital Lease | - | - |
| Repayment of Obligation under Capital Lease | - | - |
| Proceeds from Long-Term Borrowings | 642,090 | 674,844 |
| Repayment of Long-Term Debt | (205,741) | (199,190) |
| **Cash Provided by (used in) Financing Transactions** | 436,349 | 475,654 |
| **Net Increase in Cash** | 2,139,185 | (764,787) |
| **Cash, Beginning of the Year** | 754,256 | 1,519,043 |
| **Cash, End of the Year** | $ 2,893,441 | $ 754,256 |
| **Supplementary Disclosure of Cash Flow Information** | | |
| Interest Paid | $ 6,223 | $ 6,863 |
| Interest Paid - Bussing Loans | | |
| | $ 6,223 | $ 6,863 |

## Labrador School Board

Statement of Changes in Net Debt
Year Ended June 30,2013

| | June 30,2013 | June 30,2012 |
|---|---|---|
| **60. Annual Surplus (Deficit)** | $ (2,351,067) | $ (3,920,966) |
| **Changes in Tangible Capital Assets** | | |
| Acquisition of Tangible Capital Assets | (2,615,967) | (1,108,487) |
| Amortization of Tangible Capital Assets | 4,036,397 | 4,040,915 |
| **Increase in Net Book Value of Tangible Capital Assets** | 1,420,430 | 2,932,428 |
| **Changes in Other Non-Financial Assets** | | |
| Change in restricted assets | 5,844 | 17,320 |
| New Change in Prepaid Expenses - Increase/Decrease | 19,983 | (4,471) |
| **Increase in Net Debt** | (904,810) | (975,689) |
| Net Debt, Beginning of Year | (11,740,986) | (10,765,296) |
| **Net Debt, End of Year** | $ (12,645,796) | $ (11,740,986) |

**1. Nature of Operations**

The former Labrador School Board ["Board"] was a learning organization mandated by the Government of Newfoundland and Labrador to organize, administer, and deliver primary, elementary and secondary education within Labrador.

**2. Significant Accounting Policies**

These financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards ["PSA"]. Previously, the former Board's financial statements were prepared in accordance with Part V of the CICA Handbook ["Pre-changeover Accounting Standards"] These financial statements do not include school based financial activities which would consist of revenues, expenses and net assets controlled by school administration. The significant accounting policies used in the preparation of these financial statements are summarized below:

**Conversion to Public Sector Accounting Standards**

Commencing with the 2012/13 fiscal year, the former Board has adopted Canadian Public Sector Accounting Standards ("PSA") without not-for-profit provisions. These financial statements are the first financial statements for which the former Board has applied PSA standards.

The School Board has elected to use the following exemptions available as of July 1, 2011, the date of transition to the new accounting framework:

- Retirement and post-employment benefits:
    a) The former Board had elected to recognize all cumulative actuarial gains and losses at July 1, 2011 directly in accumulated surplus (deficit); and
- Tangible capital asset impairment:
    a) The former Board has elected to apply *Section PS 3150* on a prospective basis from the date of transition

Key adjustments on the former Board's financial statements resulting from the adoption of these accounting standards are as follows:

- Previously, the former Board was not required to record an accrued benefit obligation related to sick leave benefits, as the benefits do not vest. PSA standards require that a liability and an expense be recognized for post-employment benefits and compensated absences that vest or accumulate in the period in which employees render services to the

**2. Significant Accounting Policies (Con't)**

Board in return for the benefits. An adjustment was made to recognize a liability and an expense related to accumulated sick leave entitlements. The adjustment to the liability for employee future benefits at July 1, 2011 was $4,416,982 resulting in a revised liability of $4,530,330. An additional expense of $13,611 was recognized in the 2012 fiscal year resulting in a revised liability for employee future benefits at June 30, 2012 of $4,543,940 related to the accrual for accumulated sick leave entitlements, determined by an actuarial valuation.

- Investment in capital assets is not recognized under Public Sector Accounting Standards and as a result, the balance has been combined with the accumulated surplus (deficit) at July 1, 2011.

- The former Board recognized severance benefits at the point in time the employees were entitled to a severance payment. An actuarial assessment has been performed on the severance pay liability of the former Board to include those employees with less than nine years of service. The adjustment to the liability for severance pay liabilities at July 1, 2011 was a reduction of the liability in the amount of $714,396 resulting in a revised liability of $6,290,685. An additional expense of $441,209 was recognized in the 2012 fiscal year resulting in a revised liability of $6,734,822 at June 30, 2012.

- The former Board previously recognized the funding to be provided for the repayment of bussing loans, as an increase in Provincial Government Receivable and a charge to investment in capital assets. These receivable balances have been retroactively restated to recognize the funding for bussing loans on a current basis in the statement of operations. The adjustment to the Provincial Government receivable at July 1, 2011 was decreased by $785,524

**2. Significant Accounting Policies (con't)**

| | Previously Stated July 1,2011 | Adjustment July 1,2011 | Restated July 1,2011 |
|---|---|---|---|
| | $ | $ | $ |
| Investment in capital assets | 70,469,927 | (70,469,927) | - |
| Severance pay liability | 7,005,081 | (714,396) | 6,290,685 |
| Employee Future Benefits – Sick Leave | 113,347 - | 4,416,982 | 4,530,329 |
| Provincial Government AR | 4,411,139 | (785,524) | 3,625,615 |
| Former Board deficiency | (6,332,295) | 67,552,865 | 59,649,521 |

| | Previously Stated June 30,2012 | Adjustment June 30,2012 | Restated June 30,2012 |
|---|---|---|---|
| | $ | $ | $ |
| Investment in capital assets | 67,468,097 | (67,468,097) | - |
| Severance pay liability | 7,179,361 | (444,539) | 6,734,822 |
| Employee Future Benefits – sick leave | 111,347 | 4,432,593 | 4,543,940 |
| Provincial Government AR | 5,294,897 | ( 1,261,179) | 4,033,628 |
| Former Board deficiency | (6,492,317) | 62,220,872 | 55,728,555 |

The impact of the conversion to PSA standards on the accumulated surplus (deficit) at July 1, 2011 and the comparative annual surplus is presented below. These accounting changes have been applied retrospectively with restatement of prior periods.

**2. Significant Accounting Policies(con't)**

| | |
|---|---|
| **Accumulated surplus (deficit) as originally reported, July 1, 2011** | $(6,332,295) |
| Adjustments to accumulated surplus (deficit) | |
| Adjustment to sick benefits | (4,416,982) |
| Adjustment to accrued severance benefits | 714,396 |
| Bussing | (785,524) |
| Reclassify Investment in capital assets | 70,469,926 |
| **Accumulated surplus (deficit) as restated, July 1, 2011** | $ 59,649,521 |
| | |
| **Annual surplus (deficit) as originally reported for the year ended June 30, 2012** | $(160,022) |
| Adjustments to annual surplus (deficit) for the year | |
| Adjustment to sick benefits | (13,611) |
| Adjustment to accrued severance benefits | (269,849) |
| Bussing | (1,261,179) |
| Reclassify Capital grants to revenue | 1,039,086 |
| Amortization of capital assets | (4,040,915) |
| **Annual surplus (deficit) for the year as restated for the year ended June 30, 2012** | (3,445,311) |
| **Accumulated surplus (deficit), end of year as restated, June 30, 2012** | $ 55,728,555 |

**Revenue**

The former Board's main source of funding was derived from Government of Newfoundland and Labrador, Department of Education ("the Department"). The Department provides funding for operations, transportation, capital expenditures and teacher salaries and severance pay. Funding was included in revenue on the accrual basis and when the related expenditures have been incurred with the exception of funding for the teacher severance pay which was recorded when the severance was paid to employees (see note 2). Funding designated for specific purposes, for which criteria has not been met, was deferred and included in revenue when the related expenditures had been incurred. Government transfers received with associated stipulations relating to the purchase of capital assets, were recognized as revenue when the related assets were acquired. Rental revenue was recognized when received or receivable if the amount to be received could be reasonably estimated and collection was reasonably assured. Interest revenue was recognized when earned.

**2. Significant Accounting Policies (con't)**

**Restricted Equity**

The former Board received funding from the Province and external sources which had been restricted for specific purposes in the future. Restricted funds had been recorded as revenue and transferred to restricted equity for the designated purpose.

**Cash and cash equivalents**

Cash and cash equivalents included cash on hand and balances with banks.

**Short term investments**

Short term investments included GIC's with original terms of greater than three months which mature within one year.

**Tangible Capital Assets**

Tangible capital assets are stated at cost or deemed cost and amortized using the straightline basis over their estimated useful lives, using the following rates:

| | |
|---|---|
| Buildings (Wooden Structure) | 25years |
| Buildings (Steel and Masonry) | 40 years |
| Pavement | 20 years |
| Heavy equipment and vehicles | 12 years |
| Service vehicles | 5 years |
| Oil tanks | 5 years |

**Long-Lived Assets**

Long-lived assets are reviewed for impairment upon the occurrence of events or changes in circumstances indicating that the value of the assets may not be recoverable.

**Accrued vacation pay**

Vacation pay was accrued for all employees as entitlement is earned.

**2. Significant Accounting Policies (con't)**

**Teachers' and Student Assistants' Payroll**

The Government of Newfoundland and Labrador processed the payrolls and remitted the source deductions directly to the appropriate agencies. The amounts recorded in the financial statements represent gross salaries and employee benefits as reported by the Department for the year.

**Pension Costs**

All permanent employees of the former Board are covered by pension plans administered by the Government of Newfoundland Labrador. Contributions to these plans are required from both the employee and the Board. Post retirement obligations to employees are the responsibility of the Government of Newfoundland and Labrador and, as such, the employer contributions for pensions and other retirement benefits are recognized in the accounts on a current basis.

**Other Employee Severance Pay Accrual**

The former Board had in effect severance pay policies whereby employees were entitled to a severance payment upon leaving employment with the former Board. Under these policies, a permanent employee who had nine (9) or more years of continuous service in the employ of the former School Board was entitled to be paid severance pay upon termination. The severance benefit obligation has been actuarially determined using assumptions based on management's best estimate of future salary and wage changes, employee age, years of services, the probability of voluntary departure due to resignation or retirement, the discount rate and other factors. Discount rates are based on the Province's long-term borrowing rate. Actuarial gains and losses are being amortized to the liability and related expense straight-line over the expected average remaining service life of the employee group

Severance pay for teachers is paid directly to employees by the Department of Education.

**Accrued sick leave**

Employees of the former Board are entitled to sick pay benefits which accumulate but do not vest. In accordance with PSA for post-employment benefits and compensated balances, the Labrador School Board recognized the liability in the period in which the employee rendered service. The obligation was actuarially determined using assumptions based on management's best estimates of the probability of use of accrued sick leave, future salary and wage changes, employee age, the probability of departure, retirement age, the discount rate and other factors. Discount rates are based on the Province's long-

**2. Significant Accounting Policies (con't)**

term borrowing rate. Actuarial gains and losses are being amortized to the liability and related expense straight-line over the expected average remaining service life of the employee group.

**Use of Accounting Estimates**

The preparation of financial statements in conformity with PSA requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting periods. Actual results could differ from those estimates.

**Deferred revenue**

Deferred operating revenue represents externally restricted government transfers, as well as other externally restricted contributions, with associated stipulations relating to specific projects or programs, resulting in a liability. These transfers will be recognized as revenue in the period in which the resources are used for the purpose specified.

**Financial instruments**

Financial assets and liabilities are classified according to their characteristics and managements choices and intentions related thereto for the purpose of ongoing measurements. The fair value of a financial instrument is the estimated amount to be received or paid to terminate the instrument's agreement at the reporting date.

Financial assets and liabilities are generally classified and measured as follows:

| Asset/liability | Classification | Measurement |
|---|---|---|
| Cash | Held for trading | Fair value |
| Short term investments | Held for trading | Fair value |
| Accounts receivable | loans and receivables | Amortized cost |
| Accounts payable | other liabilities | Amortized cost |
| Long-term debt | other liabilities | Amortized cost |

### 3. Teachers' Severance Pay Benefits

Pursuant to a directive issued by the Department during fiscal 1998, the former Board recorded the severance pay liability for teachers in the former Board. The *Schools Act, 1997* specifies that salaries and other compensation for teachers are the responsibility of the Department. The Department does not recognize this liability until it has to be paid.

The net change in liability for the year ended is as follows:

| | June 30, 2013 | June 30, 2012 |
|---|---|---|
| **Teachers' Severance Pay Benefits** | | |
| Balance, beginning of the year | $ 5,648,098 | $ 5,246,844 |
| Net increase, (decrease) for the period | 399,195 | 401,254 |
| Balance, end of the year | $ 6,047,293 | $ 5,648,098 |

### 4. Cash

| | June 30, 2013 | June 30, 2012 |
|---|---|---|
| **Cash** | | |
| Cash on Hand | $ 1,000 | $ 1,000 |
| Bank - Current | 1,047,936 | (81,356) |
| Bank - Savings | 1,842,195 | 832,058 |
| Bank - Teachers' Payroll | 2,309 | 2,554 |
| Bank - Non Teachers' Payroll | - | - |
| Bank - Coupon ( Debenture) | - | - |
| Bank - Other (Specify) | - | - |
| | $ 2,893,441 | $ 754,256 |

## 5. Short Term Investments

| | June 30, 2013 | June 30, 2012 |
|---|---|---|
| **Short Term Investments** | | |
| Term Deposits | $ 763,026 | $ 3,510,062 |
| Canada Savings Bonds | - | - |
| Other (Specify) | - | - |
| | $ 763,026 | $ 3,510,062 |

## 6. Accounts Receivable

| | June 30, 2013 | June 30,2012 |
|---|---|---|
| **Accounts Receivable** | | |
| **Current** | | |
| Provincial Government | $ 4,004,134 | $ 4,033,628 |
| Transportation | - | - |
| Federal Government | 146,844 | 111,628 |
| Other School Districts | - | - |
| Rent | - | 124 |
| Interest | - | - |
| Travel Advances and Miscellaneous | 81,621 | 71,499 |
| **Capital** | | |
| DEC - Construction Grants | - | - |
| Local Contributions | - | - |
| Other School Districts | - | - |
| Other (Specify) | - | - |
| | $ 4,232,599 | $ 4,216,879 |

### 7. Teachers' Vacation Pay

Pursuant to a directive issued by the Department during the fiscal year 2006, the former Board recorded the vacation pay liability for teachers with the Board. The liability relates to teachers' salaries earned during the school year but not fully paid to teachers until subsequent to June 30. Accordingly, the former Board had recorded teachers' vacation pay receivable $ 3,585,589 at June 30, 2013.

### 8. Employee Future Benefits

Future employee benefits related to severance and sick leave obligations have been calculated based on an actuarial valuation dated March 10, 2014. The actuarial valuation of the accrued severance pay and accrued sick leave was performed effective July 1, 2011 and an extrapolation of that valuation has been performed to June 30, 2012 and June 30, 2013.

**Severance**

| | June 30, 2013 | June 30, 2012 |
|---|---|---|
| Accrued benefit obligation, beginning of year | 7,227,392 | 6,290,685 |
| Benefits expense | | |
| Current service cost | 622,714 | 533,882 |
| Interest cost | 248,420 | 274,154 |
| Actuarial loss (gain) | (303,987) | 492,571 |
| Benefits paid | (464,560) | (363,900) |
| Accrued benefit obligation, end of year | 7,329,979 | 7,227,392 |

A reconciliation of the accrued benefit liability and the accrued benefit obligation is as follows:

| | | |
|---|---|---|
| Accrued benefit liability | 7,180,751 | 6,734,821 |
| Unamortized actuarial losses | 149,228 | 492,571 |
| Accrued benefit obligation | 7,329,979 | 7,227,392 |

**Sick leave**

| | June 30, 2013 | June 30, 2012 |
|---|---|---|
| Accrued benefit obligation, beginning of year | 4,781,337 | 4,530,329 |
| Benefits expense | | |
| Current service cost | 396,232 | 359,091 |
| Interest cost | 159,885 | 190,990 |
| Actuarial loss (gain) | (133,874) | 237,397 |
| Benefits paid | (553,907) | (536,470) |
| Accrued benefit obligation, end of year | 4,649,673 | 4,781,337 |

A reconciliation of the accrued benefit liability and the accrued benefit obligation is as follows:

| | | |
|---|---|---|
| Accrued benefit liability | 4,564,986 | 4,543,940 |
| Unamortized actuarial losses | 84,687 | 237,397 |
| Accrued benefit obligation | 4,649,673 | 4,781,337 |

The significant actuarial assumptions used in measuring the accrued severance pay and benefits
expenses are as follows:

| | 2013 | 2012 | 2011 |
|---|---|---|---|
| Discount rate | 3.91% | 3.40% | 4.30% |
| Rate of compensation increase | | | |
| Teaching staff first 10 years service | 7.25% | 7.25% | 7.25% |
| All other staff | 4.00% | 4.00% | 4.00% |

## 9. Prepaid Expenses

| | June 30, 2013 | June 30,2012 |
|---|---|---|
| **Prepaid Expenses Current** | | |
| Insurance | $ - | $ - |
| Municipal Service Fees | - | 15,407 |
| Supplies | - | - |
| Other (Alarms) | - | 4,571 |
| **Prepaid Expenses** | | |
| Other (Specify) | - | - |
| **Total Prepaid Expenses** | $ - | $ 19,978 |

### 10. Accounts Payable and Accrued Liabilities

| | June 30,2013 | June 30,2012 |
|---|---|---|
| **Accounts Payable and Accrued Liabilities** | | |
| **Current** | | |
| Accounts Payable - Trade | $ 563,904 | $ 568,082 |
| Accrued Liabilities | 31,570 | 44,581 |
| Accrued Interest Payable | 5,038 | 13,385 |
| Accrued Wages Payable | 304,750 | 536,329 |
| Payroll Deductions Payable | 22,298 | 53,565 |
| Retail Sales Tax Payable | 580 | 4,285 |
| Deferred Grants Payble | - | - |
| Other (Drama Festival Payable) | 1,840 | - |
| **Capital** | | |
| Accounts Payable - Trade | - | - |
| Accrued Liabilities | - | - |
| Accrued Interest Payable | - | - |
| Deferred Grants | - | - |
| Other (Specify) | - | - |
| | 929,979 | 1,220,228 |

### 11. Financial Instruments

The former Board's financial instruments consist of cash, short-term investments, accounts receivable, accounts payable and long term obligations. It was management's opinion that the Board was not exposed to significant interest rate risk, currency or credit risks arising from these financial statements.

The carrying value of the Board's financial instruments approximate fair values due to the short-term maturity and normal credit terms of those instruments.

### 12. Insurance Subsidy

The cost of insuring school properties is incurred by the Provincial Government and no amount has been recorded in these accounts to reflect this cost.

### 13. Contingent Liabilities

Site restoration and remediation costs associated with school properties under the former District are charged to operations as incurred. Estimated future site restoration and remediation costs have not been accrued in these financial statements since the obligation, if any, is presently not determinable. Such costs are normally funded by the Province.

The Lavers inquiry was investigating allegations of abuse at schools formerly run by various churches in certain parts of Labrador. The possibility or magnitude of any resulting liability arising to the former Board is not known.

Subsequent to year end, one of these cases was settled in the Supreme Court of Newfoundland and Labrador (Trial Division). The former Board's share of the settlement funds to be paid was $62,500. This amount and any associated legal expenses was reimbursed by the Government of Newfoundland and Labrador's Department of Education.

### 14. Subsequent Event

Subsequent to year end the Government of Newfoundland and Labrador mandated the consolidation of the four English speaking school boards into one successor board known as the Newfoundland and Labrador English School District.

**Labrador School Board**
Current Revenues
Year Ended June 30,2013

Schedule 1

| | | 2013 | 2012 |
|---|---|---|---|
| | **Revenues** | | |
| 30.32. | **Provincial Government Grants** | | |
| | 011 Regular Operating Grants | 7,490,250 | 7,636,427 |
| | Maintenance operating grant | 1,784,875 | 1,114,158 |
| | Capital grant | 1,973,882 | 364,249 |
| | 016 Special Grants (Details on bottom of Schedule 1) | 2,716,661 | 2,702,476 |
| | Salaries and Benefits | | |
| | 017 Superintendent and Assistant Superintendent | 731,007 | 791,417 |
| | 021 Teachers' Gross Salaries | 28,283,905 | 28,716,308 |
| | 022 Substitute Teachers' Gross Salaries | 1,019,860 | 1,050,783 |
| | Student assistants | 702,914 | 711,958 |
| | 031 Pupil Transportation - District Owned | 2,902,057 | 3,037,807 |
| | 032 Pupil Transportation - Contracted | - | 20,593 |
| | 033 Pupil Transportation - Handicapped | 21,960 | 29,801 |
| | Capital loans - pupil transportation | - | - |
| | Other | 297,764 | 624,296 |
| | | 47,925,134 | 46,800,273 |
| 30.33. | **Donations** | | |
| | 012 Cash Receipts | | |
| | 013 Non Cash Receipts | | |
| | 014 Restricted Use | 49,323 | 29,047 |
| | | 49,323 | 29,047 |
| 30.34. | **Ancillary Services** | | |
| | 011 Revenues from Rental of Residences | 270,466 | 257,112 |
| | 021 Revenues from Rental of Schools and Facilities (net) | | |
| | 031 Cafeterias | | |
| | 032 Other (Specify) | | |
| | | 270,466 | 257,112 |
| 30.35. | **Miscellaneous** | | |
| | 011 Interest on Investments | 71,001 | 33,246 |
| | 012 Bus Charters | | |
| | 021 Recoveries of Expenditures | | |
| | 031 Revenues from Other School Districts | | |
| | 051 Insurance Proceeds | | |
| | 061 Bilingual Education Revenue | | |
| | 071 Operating Revenue from Native Peoples Grant | | |
| | 081 Miscellaneous Federal Grants | | |
| | 092 Textbooks | | |
| | 092 Sundry | | |
| | | 71,001 | 33,246 |
| | **Total Current Revenues** | $ 48,315,924 | $ 47,119,678 |

**Special Grants**

| | 2013 | 2012 |
|---|---|---|
| Fiscal Finance Agreement | $ 2,487,826 | $ 2,338,965 |
| Adult basic education | 59,277 | 134,757 |
| French Immersion | 20,711 | 20,636 |
| Francophone | 67,270 | 54,000 |
| School District Election Grant | | |
| Alternate Text | | |
| Textbook Credit Allocation | | |
| Aboriginal Education Initiatives | 81,576 | 154,118 |
| | $ 2,716,661 | $ 2,702,476 |

## Labrador School Board

Administration Expenditures

Year Ended June 30,2013

Schedule 2

| | | 2013 | 2012 |
|---|---|---|---|
| 50.51 | **Administration** | | |
| | 011 Salaries and Benefits (Gross) Superintendents and Assistant Superinten( | 778,150 | 777,999 |
| | 012 Salaries and Benefits - District Office Personnel | 828,234 | 922,332 |
| | 013 Office Supplies | 26,891 | 19,793 |
| | 014 Replacement Furniture and Equipment | 12,652 | 32,315 |
| | 015 Postage | 9,318 | 7,249 |
| | 016 Telephone | 54,817 | 49,456 |
| | 017 Office Equipment Rentals and Repairs | 23,317 | 14,199 |
| | 018 Bank Charges | 34 | - |
| | 019 Electricity | 5,233 | 5,017 |
| | 021 Fuel | - | - |
| | 022 Insurance | 2,713 | 2,448 |
| | 023 Repairs and Maintenance (Office Building) | - | - |
| | 024 Travel | 105,453 | 123,120 |
| | 025 District Meeting Expenses | 63,736 | 71,677 |
| | 026 Election Expenses | - | - |
| | 027 Professional Fees | 24,094 | 46,103 |
| | 028 Advertising | 41,123 | 58,835 |
| | 029 Membership Dues | 24,466 | 24,094 |
| | 031 Municipal Service Fees | 2,298 | 3,544 |
| | 032 Rental of Office Space | - | - |
| | 033 Relocation Expenses | - | - |
| | 034 Miscellaneous | 1,810 | 1,615 |
| | 035 Administrative Payroll Tax | 14,487 | 15,395 |
| | **Total Administration Expenditures** | $ 2,018,825 | $ 2,175,191 |

**Labrador School Board** Schedule 3

Instruction Expenditures

Year Ended June 30,2013

| | | 2013 | 2012 |
|---|---|---|---|
| 50.52. | 010 **Instructional Salaries (Gross)** | | |
| | 011 Teachers' Salaries - Regular | 24,862,115 | 25,022,637 |
| | 012 Teachers' Salaries - Substitute | 891,236 | 1,073,929 |
| | 013 Teachers' Salaries - District Paid | 79,899 | 181,823 |
| | 014 Augmentation Payments | - | - |
| | 015 Employee Benefits | 3,558,666 | 3,681,448 |
| | 016 School Secretaries - Salaries & Benefits | 716,799 | 740,742 |
| | 017 Payroll Tax | 33,364 | 33,412 |
| | Teachers' Salaries - Student assistants | 705,968 | 711,958 |
| | 018 Other instructional salaries and benefits | 1,368,889 | 1,373,674 |
| | | 32,216,936 | 32,819,623 |
| 50.52. | 040 **Instructional Materials** | | |
| | 041 General Supplies | 478,190 | 363,706 |
| | 042 Library Resource Materials | 7,440 | 102,722 |
| | 043 Teaching Aids | 105,345 | 112,437 |
| | Other instructional materials | 117,659 | 102,250 |
| | Other Aboriginal Peoples Programs | 761,653 | 540,220 |
| | 044 Textbooks | | |
| | | 1,470,287 | 1,221,335 |
| 50.52. | 060 **Instructional Furniture and Equipment** | | |
| | 061 Replacement | 75,540 | 142,809 |
| | 062 Rentals and Repairs | 105,402 | 100,412 |
| | | 180,942 | 243,221 |
| 50.52. | 080 **Instructional Staff Travel** | | |
| | 081 Program Co-ordinators | 87,784 | 91,047 |
| | Travel - IT technicians | 30,658 | 30,788 |
| | 082 Teachers' Travel | 6,412 | 9,313 |
| | 083 In-service and Conferences | 334,887 | 363,820 |
| | | 459,741 | 494,968 |
| 50.52. | 090 **Other Instructional Costs** | | |
| | 091 Postage and Stationery | 5,635 | 6,421 |
| | Other - Aborignal Peoples Programs | 195,593 | 301,636 |
| | Other - Health and Community living | 15,770 | 138,363 |
| | 092 Miscellaneous | - | - |
| | | 216,998 | 446,420 |
| | **Total Instruction Expenditures** | $ 34,544,904 | $ 35,225,567 |

## Labrador School Board

Schedule 4

Operations and Maintenance Expenditures - School
Year Ended June 30,2013

| | | 2013 | 2012 |
|---|---|---|---|
| **50.53.** | 011 Salaries and Benefits - Janitorial | $ 1,336,629 | $ 1,365,417 |
| | 012 Salaries and Benefits - Maintenance | 1,087,357 | 1,338,125 |
| | 013 Payroll Tax | 245,716 | 286,733 |
| | 014 Electricity | 378,437 | 403,626 |
| | 015 Fuel | 471,204 | 525,311 |
| | 016 Municipal Service Fee | 78,083 | 82,932 |
| | 017 Telephone | 172,627 | 180,441 |
| | 018 Vehicle Operating and Travel | 56,289 | 60,013 |
| | 019 Janitorial Supplies | 201,604 | 103,291 |
| | 021 Janitorial Equipment | 39,433 | 41,520 |
| | 022 Repairs and Maintenance - Buildings | 1,805,870 | 1,315,087 |
| | 023 Repairs and Maintenance - Equipment | 13,807 | 15,966 |
| | 024 Contracted Services - Janitorial | 19,752 | 42,901 |
| | 025 Snow Clearing | 284,037 | 163,501 |
| | 026 Rentals | - | - |
| | 027 Other (Specify) | 423,557 | 220,520 |
| | **Total Operations and Maintenance** | $ 6,614,401 | $ 6,145,385 |

## Labrador School Board

Schedule 5

Pupil Transportation Expenditure
Year Ended June 30,2013

| | | 2013 | 2012 |
|---|---|---|---|
| **50.54.** | 010 **Operation and Maintenance of District Owned Fleet** | | |
| | 011 Salaries and Benefits - Administration | | |
| | 012 Salaries and Benefits - Drivers and Mechanics | 1,744,235 | 1,795,980 |
| | 013 Payroll Tax | 28,088 | 27,612 |
| | 014 Debt Repayment - Interest | 46,599 | 35,974 |
| | 015 Debt Repayment - Principal | - | - |
| | 016 Bank Charges | - | - |
| | 017 Gas and Oil | 340,007 | 317,734 |
| | 018 Licenses | 12,744 | 25,978 |
| | 019 Insurance | 21,316 | 21,114 |
| | 021 Repairs and Maintenance - Fleet | 205,460 | 191,942 |
| | 022 Repairs and Maintenance - Building | 8,820 | 158,496 |
| | 023 Tires and Tubes | 23,846 | 30,822 |
| | 024 Heat and Light | 14,559 | 15,907 |
| | 025 Municipal Service | 6,091 | 5,364 |
| | 026 Snow Clearing | 27,838 | 14,447 |
| | 027 Office Supplies | 9,187 | 1,181 |
| | 028 Rent | 74,966 | 78,911 |
| | 029 Travel | 30,961 | 8,683 |
| | 031 Professional Fees | 2,000 | 2,000 |
| | 032 Miscellaneous | 4,204 | 7,516 |
| | 033 Telephone | 17,991 | 17,079 |
| | 034 Vehicle Leases | | |
| | | 2,618,911 | 2,756,741 |
| **50.54.** | 040 **Contracted Services** | | |
| | 041 Regular Transportation | 2,160 | 16,045 |
| | 042 Handicapped | 50,806 | 46,833 |
| | | 52,966 | 62,879 |
| | **Pupil Transportation Expenditures** | $ 2,671,877 | $ 2,819,620 |

# Labrador School Board

Schedule 6

Ancillary Services and Miscellaneous Expenses
Year Ended June 30,2013

**Ancillary Services**

The District owns and operates the following ancillary services:

| | | | 2013 | 2012 |
|---|---|---|---|---|
| **50.55.** | | **Ancillary Services** | | |
| | 011 | Operation of Teachers' Residences | $ 222,278 | $ 172,282 |
| | 031 | Cafeterias | - | - |
| | 032 | Other (Specify) | - | - |
| | | | $ 222,278 | $ 172,282 |

**Miscellaneous Expenses (Specify)**

The District has incurred the following miscellaneous expenses:

| | | | 2013 | 2012 |
|---|---|---|---|---|
| **50.57.** | 011 | **Miscellaneous Expenses (Specify)** | $ - | $ - |

**Labrador School Board**

Capital Assets

Year Ended June 30,2013

Schedule 7

| | | Cost June 30,2013 | Accumulated Amortization 2013 | NBV June 30, 2013 | NBV June 30,2012 |
|---|---|---|---|---|---|
| 10.12. | **210 Land and Sites** | | | | |
| | 211 Land and Sites | $ 197,033 | $ - | $ 197,033 | $ 160,890 |
| 10.12. | **220 Buildings** | | | | |
| | 221 Schools | 138,413,411 | (78,856,536) | 59,556,875 | 61,441,117 |
| | 222 Administration | 2,723,522 | (2,723,522) | - | - |
| | 223 Residential | 8,760,129 | (4,845,592) | 3,914,537 | 3,969,106 |
| | 224 Recreational | - | - | - | - |
| | 225 Other (Specify) | - | - | - | - |
| | | 149,897,062 | (86,425,650) | 63,471,412 | 65,410,223 |
| 10.12. | **230 Furniture and Equipment** | | | | |
| | 231 Schools | - | - | - | - |
| | 232 Administration | - | - | - | - |
| | 233 Residential | - | - | - | - |
| | 234 Recreation | - | - | - | - |
| | 235 Other (Oil Tanks) | 557,812 | (371,822) | 185,990 | 254,925 |
| | | 557,812 | (371,822) | 185,990 | 254,925 |
| 10.12. | **240 Vehicles** | | | | |
| | 241 Service Vehicles | 318,939 | (267,335) | 51,604 | 74,566 |
| 10.12. | **250 Pupil Transportation** | | | | |
| | 251 Land | - | - | - | - |
| | 252 Building | 732,941 | (732,941) | - | - |
| | 253 Vehicles - Buses | 3,190,285 | (1,412,416) | 1,777,869 | 1,331,127 |
| | 254 Vehicles - Service | - | - | - | - |
| | 255 Equipment | - | - | - | - |
| | 256 Other (Specify) | - | - | - | - |
| | | 3,923,226 | (2,145,357) | 1,777,869 | 1,331,127 |
| 10.12. | **260 Misc. Capital Assets** | | | | |
| | 261 Other (Pavement) | 466,995 | (42,735) | 424,260 | 296,867 |
| | **Total Capital Assets** | $ 155,361,067 | $ (89,252,900) | $ 66,108,168 | $ 67,528,597 |

## Labrador School Board

Schedule 7A

Details of Capital Assets - Additions and Disposals
Year Ended June 30,2013

| | | Balance June 30,2012 | Additions | Disposals | Balance June 30,2013 |
|---|---|---|---|---|---|
| **10.12.** | **210 Land and Sites** | | | | |
| | 211 Land and Sites | $ 160,890 | $ 36,143 | $ - | $ 197,033 |
| **10.12.** | **220 Buildings** | | | | |
| | 221 Schools | 136,925,919 | 1,487,492 | - | 138,413,411 |
| | 222 Administration | 2,723,522 | - | - | 2,723,522 |
| | 223 Residential | 8,475,445 | 284,685 | - | 8,760,129 |
| | 224 Recreational | - | - | - | - |
| | 225 Other (Specify) | - | - | - | - |
| | | 148,124,886 | 1,772,177 | - | 149,897,062 |
| **10.12.** | **230 Furniture and Equipment** | | | | |
| | 231 Schools | - | - | - | - |
| | 232 Administration | - | - | - | - |
| | 233 Residential | - | - | - | - |
| | 234 Recreation | - | - | - | - |
| | 235 Other (Oil Tanks) | 539,316 | 18,496 | - | 557,812 |
| | | 539,316 | 18,496 | - | 557,812 |
| **10.12.** | **240 Vehicles** | | | | |
| | 241 Service Vehicles | 318,939 | - | - | 318,939 |
| **10.12.** | **250 Pupil Transportation** | | | | |
| | 251 Land | - | - | - | - |
| | 252 Building | 732,941 | - | - | 732,941 |
| | 253 Vehicles - Buses | 3,087,603 | 642,085 | 539,403 | 3,190,285 |
| | 254 Vehicles - Service | - | - | - | - |
| | 255 Equipment | - | - | - | - |
| | 256 Other (Specify) | - | - | - | - |
| | | 3,820,544 | 642,085 | 539,403 | 3,923,226 |
| **10.12.** | **260 Misc. Capital Assets** | | | | |
| | 261 Other (Pavement) | 319,929 | 147,066 | - | 466,995 |
| | **Total Capital Assets** | $ 153,284,503 | $ 2,615,967 | $ 539,403 | $ 155,361,067 |

## Labrador School Board

Schedule 7B

Details of Capital Assets - Amortization
Year Ended June 30,2013

| | | Accumulated Amortization 2012 | Amortization 2013 | Amortization on Disposals 2013 | Change in Amortization 2013 | Accumulated Amortization 2013 |
|---|---|---|---|---|---|---|
| 10.12. | 210 **Land and Sites** | | | | | |
| | 211 Land and Sites | $ - | $ - | $ - | $ - | $ - |
| 10.12. | 220 **Buildings** | | | | | |
| | 221 Schools | 75,484,802 | 3,371,734 | - | 3,371,734 | 78,856,536 |
| | 222 Administration | 2,723,522 | - | - | - | 2,723,522 |
| | 223 Residential | 4,506,339 | 339,253 | - | 339,253 | 4,845,592 |
| | 224 Recreational | - | - | - | - | - |
| | 225 Other (Specify) | - | - | - | - | - |
| | | 82,714,663 | 3,710,987 | - | 3,710,987 | 86,425,650 |
| 10.12. | 230 **Furniture and Equipment** | | | | | |
| | 231 Schools | - | - | - | - | - |
| | 232 Administration | - | - | - | - | - |
| | 233 Residential | - | - | - | - | - |
| | 234 Recreation | - | - | - | - | - |
| | 235 Other (Oil Tanks) | 284,392 | 87,431 | - | 87,431 | 371,822 |
| | | 284,392 | 87,431 | - | 87,431 | 371,822 |
| 10.12. | 240 **Vehicles** | | | | | |
| | 241 Service Vehicles | 244,372 | 22,963 | - | 22,963 | 267,335 |
| 10.12. | 250 **Pupil Transportation** | | | | | |
| | 251 Land | - | - | - | - | - |
| | 252 Building | 732,941 | - | - | - | 732,941 |
| | 253 Vehicles - Buses | 1,756,476 | 195,343 | (539,403) | (344,059) | 1,412,416 |
| | 254 Vehicles - Service | - | - | - | - | - |
| | 255 Equipment | - | - | - | - | - |
| | 256 Other (Specify) | - | - | - | - | - |
| | | 2,489,417 | 195,343 | (539,403) | (344,059) | 2,145,357 |
| 10.12. | 260 **Misc. Capital Assets** | | | | | |
| | 261 Other (Pavement) | 23,062 | 19,673 | - | 19,673 | 42,735 |
| | **Total Capital Assets** | $ 85,755,906 | $ 4,036,397 | $ (539,403) | $ 3,496,994 | $ 89,252,900 |

## Labrador School Board

Schedule 8

Details of Long Term Debt
Year Ended June 30,2013

Bank loans, mortgage and debentures, approved by the District and the Government of Newfoundland and Labrador

| | | | | | | June 30,2013 | June 30,2012 |
|---|---|---|---|---|---|---|---|
| **20.21.** | 210 | **Loans Other than Pupil Transportation** | | | | | |
| | | **Ref #** | | | | | |
| | 211 | **Bank Loans** | | | | | |
| | | Repayable | $ | monthly, | maturing | | |
| | | Repayable | $ | monthly, | maturing | | |
| | | Repayable | $ | monthly, | maturing | | |
| | | Repayable | $ | monthly, | maturing | | |
| | | Repayable | $ | monthly, | maturing | | |
| | | Repayable | $ | monthly, | maturing | | |
| | | **Total 211** | | | | - | - |
| | 212 | **Mortgages** | | | | | |
| | | Repayable | $ | monthly, | maturing | | |
| | | Repayable | $ | monthly, | maturing | | |
| | | Repayable | $ | monthly, | maturing | | |
| | | Repayable | $ | monthly, | maturing | | |
| | | Repayable | $ | monthly, | maturing | | |
| | | Repayable | $ | monthly, | maturing | | |
| | | **Total 212** | | | | - | - |
| | 213 | **Debentures** | | | | | |
| | | Repayable | $ | monthly, | maturing | | |
| | | Repayable | $ | monthly, | maturing | | |
| | | **Total 213** | | | | - | - |
| | 214 | **Other (Please Specify)** | | | | | |
| | | **Subtotal** | | | | - | - |
| | 215 | **Less Current Maturities** | | | | | |
| | | **Total Loans Other Than Pupil Transportation** | | | | - | - |
| **20.21.** | 220 | **Loans - Pupil Transportation** | | | | | |
| | | **Ref #** | | | | | |
| | 221 | **Vehicle Bank Loans** | | | | | |
| | | Repayable | $ 2,172 | monthly, | maturing May 21, 2013 | $ - | $ 23,891 |
| | | Repayable | $ 581 | monthly, | maturing January 19, 2013 | 6,971 | 13,941 |
| | | Repayable | $ 1,696 | monthly, | maturing September 4, 2013 | 45,788 | 66,139 |
| | | Repayable | $ 2,924 | monthly, | maturing April 14, 2016 | 181,232 | 216,320 |
| | | Repayable | $ 2,523 | monthly, | maturing August 21, 2015 | 285,160 | 312,913 |
| | | Repayable | $ 4,687 | monthly, | maturing August 16, 2016 | 576,417 | 627,974 |
| | | Repayable | $ 4,459 | monthly, | maturing August 31, 2016 | 601,959 | |
| | | Repayable | $ | monthly, | maturing | | |
| | | Repayable | $ | monthly, | maturing | | |
| | | Repayable | $ | monthly, | maturing | | |
| | | Repayable | $ | monthly, | maturing | | |
| | | Repayable | $ | monthly, | maturing | | |
| | | Repayable | $ | monthly, | maturing | | |
| | | **Total 221** | | | | 1,697,527 | 1,261,178 |
| | 222 | **Land, Buildings and Equipment Bank Loans** | | | | | |
| | | Repayable | $ | monthly, | maturing | | |
| | | Repayable | $ | monthly, | maturing | | |
| | | Repayable | $ | monthly, | maturing | | |
| | | Repayable | $ | monthly, | maturing | | |
| | | Repayable | $ | monthly, | maturing | | |
| | | **Total 222** | | | | | |
| | | **Subtotal** | | | | 1,697,527 | 1,261,178 |
| | 223 | **Less Current Maturities** | | | | | |
| | | **Total Loans- Pupil Transportation** | | | | 1,697,527 | 1,261,178 |
| | | **Total Long Term Debt** | | | | $ 1,697,527 | $ 1,261,178 |

## Labrador School Board

Summary of Long Term Debt
Year Ended June 30,2013

Schedule 8A

| Description | Ref. # | Rate | Balance Beginning of Year | Loans Obtained During Year | Principal Repayment for Year | Balance End of Year |
|---|---|---|---|---|---|---|
| **A) School Construction** | | | - | - | - | - |
| **B)Equipment** | | | - | - | - | - |
| **C) Service Vehicles** | | | - | - | - | - |
| **D) Other** | | | - | - | - | - |
| **E) Pupil Transportation** | Scotiabank | various | 1,261,179 | 642,090 | 205,741 | 1,697,528 |
| **Total Loans** | | | $ 1,261,179 | $ 642,090 | $ 205,741 | $ 1,697,528 |

## Labrador School Board

Schedule of Current Maturities
Year Ended June 30,2013

Schedule 8B

| Description | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |
|---|---|---|---|---|---|
| A) School Construction | $ - | $ - | $ - | $ - | $ - |
| B)Equipment | - | - | - | - | - |
| C) Service Vehicles | - | - | - | - | - |
| D) Other | - | - | - | - | - |
| E) Pupil Transportation | 227,875 | 175,116 | 853,101 | 441,435 | - |
| Total | $ 227,875 | $ 175,116 | $ 853,101 | $ 441,435 | $ - |

LIVESTOCK OWNERS COMPENSATION BOARD

LIVESTOCK OWNERS COMPENSATION FUND

FINANCIAL STATEMENTS

MARCH 31, 2014

## Management's Report

### *Management's Responsibility for the Livestock Owners Compensation Board, Livestock Owners Compensation Fund 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 periodically and external audited financial statements yearly.

The Auditor General conducts an independent audit of the annual financial statements of the Board 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 Livestock Owners Compensation Board.

On behalf of the Livestock Owners Compensation Board.

C. MacDonald

Ms. Cynthia MacDonald, P.Ag.
Director of Agriculture Business Development

June 11, 2014

# INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Livestock Owners Compensation Board
St. John's, Newfoundland and Labrador

## Report on the Financial Statements

I have audited the accompanying financial statements of the Livestock Owners Compensation Board, Livestock Owners Compensation Fund, which comprise the statement of financial position as at March 31, 2014, and the statement of operations for the year then ended, and a summary of significant accounting policies and other explanatory information.

*Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these 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.

*Auditor's Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

## Independent Auditor's Report (cont.)

*Opinion*

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Livestock Owners Compensation Board, Livestock Owners Compensation Fund, as at March 31, 2014, and its financial performance for the year then ended in accordance with Canadian public sector accounting standards.

**TERRY PADDON, CA**
**Auditor General**

June 11, 2014
St. John's, Newfoundland and Labrador

# LIVESTOCK OWNERS COMPENSATION BOARD
# LIVESTOCK OWNERS COMPENSATION FUND
## STATEMENT OF FINANCIAL POSITION
### As at March 31

| | 2014 | 2013 |
|---|---|---|
| **FINANCIAL ASSETS** | | |
| Cash | $ 9,952 | $ 5,177 |
| Due from the Province | 1,500 | 1,500 |
| | 11,452 | 6,677 |
| **LIABILITIES** | | |
| Accounts payable and accrued liabilities (Note 4) | 1,503 | 6,732 |
| | 1,503 | 6,732 |
| **Net financial assets (debt)** | 9,949 | (55) |
| **NON-FINANCIAL ASSETS** | - | - |
| **Accumulated surplus (deficit)** | $ 9,949 | $ (55) |

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

**Signed on behalf of the Board:**

C. MacDonald
**Chairperson**

Gerald Wicks
**Member**

## LIVESTOCK OWNERS COMPENSATION BOARD
## LIVESTOCK OWNERS COMPENSATION FUND
### STATEMENT OF OPERATIONS
**For the Year Ended March 31**

| | 2014 Budget | 2014 Actual | 2013 Actual |
|---|---|---|---|
| | (Note 7) | | |
| **REVENUES** | | | |
| Province of Newfoundland and Labrador | | | |
| Operating grant (Note 6) | $ 10,000 | $ 10,000 | $ - |
| Payments on behalf of the Board (Note 6) | 9,945 | 8,710 | 9,519 |
| Premiums from livestock owners | 2,500 | 2,427 | 2,701 |
| | 22,445 | 21,137 | 12,220 |
| **EXPENSES (Note 5)** | | | |
| Indemnity claims | 2,200 | 2,415 | 7,930 |
| Administration | 9,950 | 8,718 | 9,524 |
| | 12,150 | 11,133 | 17,454 |
| **Annual surplus (deficit)** | 10,295 | 10,004 | (5,234) |
| **Accumulated surplus (deficit), beginning of year** | (55) | (55) | 5,179 |
| **Accumulated surplus (deficit), end of year** | $ 10,240 | $ 9,949 | $ (55) |

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

## 1. Nature of operations

The Livestock Owners Compensation Board (the Board) operates under the authority of the *Livestock Insurance Act*. The purpose of the Board is to operate the Livestock Owners Compensation Fund to provide insurance to farmers of the Province to restrict the amount of livestock loss. Its affairs are managed by a Board of Directors appointed by the Lieutenant-Governor in Council. These statements are a representation of the activities of the Livestock Owners Compensation Fund.

The Board 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 Board is classified as an Other Government Organization as defined by the Canadian public sector accounting standards (CPSAS). These financial statements are prepared by management in accordance with CPSAS for provincial reporting entities established by the Canadian Public Sector Accounting Board. The Board does not prepare a statement of change in net financial assets (debt) and a statement of cash flows as this information is readily apparent from the other statements. In addition, the Board does not prepare a statement of re-measurement gains and losses as the Board does not enter into relevant transactions or circumstances that are being addressed by the statement.

### (b) Financial instruments

The Board's financial instruments recognized in the statement of financial position consist of cash, due from the Province, and accounts payable and accrued liabilities. The Board 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 Board subsequently measures all of its financial assets and financial liabilities at cost. Financial assets measured at cost include cash and due from the Province. Financial liabilities measured at cost include accounts payable and accrued liabilities.

The carrying values of cash, due from the Province, and accounts payable and accrued liabilities approximate current fair value due to their nature and/or the short-term maturity associated with these instruments.

### (c) Cash

Cash includes cash in bank.

## 2. Summary of significant accounting policies (cont.)

### (d) Revenue recognition

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.

Government transfers (Province of Newfoundland and Labrador contributions) are recognized as revenues when the transfer is authorized and any eligibility criteria are met, except when and 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 giving rise to the liabilities are settled.

### (e) Expenses

Expenses are reported on an accrual basis. The cost of all goods consumed and services received during the year is expensed.

The Board is administered as a division of the Department of Natural Resources. Expenses related to salaries, Board remuneration, and professional services are paid directly by the Department and are reflected in these financial statements as expenses of the Board and as revenue from the Province.

Indemnity claims are reported on an accrual basis. Indemnity claims are paid to insured persons upon approval by the Board of submitted insurance claims.

## 3. Financial risk management

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

Liquidity risk

Liquidity risk is the risk that the Board will be unable to meet its contractual obligations and financial liabilities as they come due. The liquidity risk relating to accounts payable and accrued liabilities is considered to be low. The Board manages liquidity risk by monitoring its cash flows and ensuring that it has sufficient resources available to meet its contractual obligations and financial liabilities.

## 4. Accounts payable and accrued liabilities

| | 2014 | 2013 |
|---|---|---|
| Indemnity claim payable to insured persons | $ - | $ 5,229 |
| Accounts receivable credits | 3 | 3 |
| Province of Newfoundland and Labrador | 1,500 | 1,500 |
| | $ 1,503 | $ 6,732 |

## 5. Expenses by object

The following is a summary of expenses by object:

| | 2014 | 2013 |
|---|---|---|
| Bank charges | $ 8 | $ 5 |
| Board remuneration (Note 6) | 145 | - |
| Indemnity claims | 2,415 | 7,930 |
| Professional services (Note 6) | 1,500 | 1,500 |
| Salaries (Note 6) | 7,065 | 8,019 |
| | $ 11,133 | $ 17,454 |

## 6. Related party transactions

The Board is administered by employees of the Department of Natural Resources. Salary costs of $7,065 (2013 - $8,019), Board remuneration costs of $145 (2013 - nil) and professional services cost of $1,500 (2013 - $1,500) applicable to the operation of the Board have been paid by the Department and are reflected in these financial statements as expenses of the Board and as revenue from the Province.

On April 24, 2013, the Board received an operating grant of $10,000 from the Province of Newfoundland and Labrador to use as working capital.

## 7. Budgeted figures

Budgeted figures, which have been prepared on a cash basis, are provided for comparison purposes and have been approved by the Board of Directors.

# MARBLE MOUNTAIN DEVELOPMENT CORPORATION

**Financial Statements**
**For the Year Ended April 30, 2014**

## STATEMENT OF RESPONSIBILITY

The accompanying Financial Statements are the responsibility of the management of the *Marble Mountain Development Corporation* and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants.

In carrying out its responsibilities, management maintains appropriate systems of internal and administrative controls designed to provide reasonable assurance that transactions are executed in accordance with proper authorization, that assets are properly accounted for and safeguarded, and that financial information produced is relevant and reliable.

The Board of Directors met with management and it's external auditors to review a draft of the financial statements and to discuss any significant financial reporting or internal control matters prior to their approval of the finalized financial statements.

*BDO Canada LLP* as the Organization's appointed external auditors, have audited the Financial Statements. The Auditor's Report is addressed to the General Manager and the Board of Directors and appears on the following page. Their opinion is based upon an examination conducted in accordance with Canadian generally accepted auditing standards, performing such tests and other procedures as they consider necessary to obtain reasonable assurance that the Financial Statements are free of material misstatement and present fairly the financial position and results of the Municipality in accordance with Canadian public sector standards.

*Chris Beckett*
General Manager

*Jonathan MacDonald*
Manager of Finance and Administration

Tel: 709 634 1590
Fax: 709 634 1599
www.bdo.ca

BDO Canada LLP
50 Main Street
Suite 300
Corner Brook NL A2H 1C4 Canada

# INDEPENDENT AUDITOR'S REPORT

To the General Manager and Board of Directors
**MARBLE MOUNTAIN DEVELOPMENT CORPORATION**

We have audited the accompanying consolidated financial statements of Marble Mountain Development Corporation, which comprise the consolidated statement of financial position as at April 30, 2014 and the consolidated statements of operations, change in net financial asset (net debt), cash flows for the year then ended, and 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 controls 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.

**Auditor's 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 financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosure in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 effectivess 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 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, these consolidated financial statements present fairly, in all material respects, the financial position of Marble Mountain Development Corporation as of April 30, 2014 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Corner Brook, NL
May 22, 2014

BDO Canada LLP
CHARTERED ACCOUNTANTS

**MARBLE MOUNTAIN DEVELOPMENT CORPORATION**
**STATEMENT OF FINANCIAL POSITION**
**As at April 30, 2014**

| | 2014 | 2013 |
|---|---|---|
| **FINANCIAL ASSETS** | | |
| Cash and bank | $ 3,232 | $ 3,000 |
| Accounts receivable (Note 4) | 44,569 | 55,275 |
| | $ 47,801 | $ 58,275 |
| **LIABILITIES** | | |
| Bank Indebtedness (Note 7) | $ 1,599,947 | $ 1,395,492 |
| Accounts payable and accrued liabilities (Note 8) | 190,099 | 358,840 |
| Current portion of obligations under capital lease (Note 12) | 65,113 | 57,929 |
| Deferred revenue (Note 4) | 21,500 | 28,165 |
| Deferred grant (Note 11) | 840,000 | 840,000 |
| Long-term debt (Note 15) | 300,000 | 300,000 |
| Obligations under capital lease (Note 3 and Note 12) | 170,672 | 197,851 |
| Deferred government assistance (Note 3 and Note 9) | 5,986,287 | 5,896,290 |
| | 9,173,619 | 9,074,567 |
| **NET FINANCIAL ASSETS ( DEBT)** | $ (9,125,818) | $ (9,016,292) |
| **NON-FINANCIAL ASSETS** | | |
| Tangible capital assets (Schedule 1) (Note 3) | $ 13,435,602 | $ 14,147,774 |
| Inventory (Note 3) | 37,137 | 35,754 |
| Deferred Charges (Note 5) | 18,522 | - |
| Prepaid expenses (Note 6) | 9,701 | 28,470 |
| | 13,500,962 | 14,211,998 |
| **ACCUMULATED SURPLUS** | $ 4,375,144 | $ 5,195,706 |

Approved on behalf of Board:

Mike Dalter

**The accompanying notes are an integral part of these financial statements**
**BDO Canada LLP, Chartered Accountants**

## MARBLE MOUNTAIN DEVELOPMENT CORPORATION
### STATEMENT OF OPERATIONS
### Year Ended April 30, 2014

| | 2014 Actual | 2013 Actual |
|---|---|---|
| **REVENUES** | | |
| Lift Operations (Schedule 2) | $ (318,774) | $ (330,385) |
| Repair Shop (Schedule 3) | 33,499 | 31,154 |
| Rental (Schedule 4) | 136,088 | 134,349 |
| Cafeteria (Schedule 5) | 10,189 | 29,560 |
| Bar (Schedule 6) | 66,096 | 41,840 |
| Ski School (Schedule 7) | 13,841 | 19,646 |
| Events (Schedule 8) | 57,629 | 16,733 |
| Marketing (Schedule 9) | (47,003) | (40,425) |
| Marble Villa (Schedule 10) | 148,851 | 128,677 |
| Operating Grant | 390,000 | 394,000 |
| Wage Subsidy Grant | 1,440 | 1,326 |
| Gain on Disposal of Assets | 4,620 | - |
| Total revenues | 496,474 | 426,475 |
| **EXPENSES** | | |
| Administration | 36,396 | 20,373 |
| Bad Debts | - | - |
| Board and Committee Meetings | 1,045 | 1,535 |
| Communications | 16,323 | 14,848 |
| Directors Fees | 4,255 | 4,475 |
| Donations | 9,439 | 1,226 |
| Interest and Bank Charges | 51,980 | 63,928 |
| Interest on Capital Leases | 15,511 | 17,073 |
| Labour | 219,304 | 224,376 |
| Miscellaneous | 6,551 | 2,483 |
| Professional Fees | 16,397 | 8,888 |
| Travel and Conference | 9,187 | 13,067 |
| Total expenses | 386,387 | 372,272 |
| **ANNUAL SURPLUS** | 110,087 | 54,203 |
| **ACCUMULATED SURPLUS, BEGINNING OF YEAR** | 5,195,706 | 6,077,618 |
| **AMORTIZATION FOR THE YEAR** | (930,649) | (936,115) |
| **ACCUMULATED SURPLUS, END OF YEAR** | 4,375,144 | 5,195,706 |

**The accompanying notes are an integral part of these financial statements**
**BDO Canada LLP, Chartered Accountants**

**MARBLE MOUNTAIN DEVELOPMENT CORPORATION**
**STATEMENT OF CHANGE IN NET FINANCIAL ASSETS (NET DEBT)**
**Year ended April 30, 2014**

| | 2014 | 2013 |
|---|---|---|
| **ANNUAL SURPLUS (DEFICIT)** | $ 110,087 | $ 54,203 |
| Acquisition of tangible capital assets | (582,001) | (519,704) |
| Amortization of deferred grants | 350,744 | 337,222 |
| Gain on Disposal of capital assets | (4,620) | |
| Proceeds on disposal of tangible capital assets | 17,400 | - |
| Decrease (Increase) in deferred charges | (18,522) | 7,253 |
| Decrease (Increase) in inventories | (1,383) | (1,880) |
| Decrease (Increase) in prepaids | 18,769 | (5,260) |
| | (219,613) | (182,369) |
| **CHANGE IN NET FINANCIAL ASSETS** | (109,526) | (128,166) |
| **NET FINANCIAL ASSETS (NET DEBT), BEGINNING OF YEAR** | (9,016,292) | (8,888,126) |
| **NET FINANCIAL ASSETS (NET DEBT), END OF YEAR** | $ (9,125,818) | $ (9,016,292) |

**The accompanying notes are an integral part of these financial statements**
**BDO Canada LLP, Chartered Accountants**

**MARBLE MOUNTAIN DEVELOPMENT CORPORATION**
**STATEMENT OF CASH FLOW**
**Year Ended April 30, 2014**

| | 2014 | 2013 |
|---|---|---|
| **OPERATING ACTIVITIES** | | |
| Annual surplus | $ 110,087 | $ 54,203 |
| Items not affecting cash | | |
| Amortization of tangible assets | 1,281,391 | 1,273,338 |
| Adjustment to surplus | (930,649) | (936,115) |
| Gain of disposal of capital assets | (4,620) | - |
| Changes in non-cash items | | |
| Accounts receivable | 32,206 | (29,128) |
| Accounts payable and accrued liabilities | (168,741) | (318,703) |
| Deferred revenue | (28,165) | 16,665 |
| Prepaid expenses | 18,769 | (5,260) |
| Inventory | (1,383) | (1,878) |
| Deferred charges | (18,522) | 7,253 |
| Deferred government grant | - | 840,000 |
| Deferred government assistance | 89,997 | 162,777 |
| Cash Flow from Operating Activities | 380,370 | 1,063,152 |
| **INVESTING ACTIVITIES** | | |
| Cash used to acquire tangible capital assets | (582,001) | (519,707) |
| Proceeds on disposal of tangible capital assets | 17,400 | - |
| Cash Flow from Investing Activities | (564,601) | (519,707) |
| **FINANCING ACTIVITIES** | | |
| Proceeds (repayment) of Bank Indebtedness | 204,452 | (488,938) |
| Proceeds from Obligations Under Capital Lease | 47,939 | - |
| Repayment of Obligations Under Capital Leases | (67,928) | (59,587) |
| Cash Flow from (used by) Financing Activities | 184,463 | (548,525) |
| **INCREASE (DECREASE) IN CASH FLOW** | 232 | (5,080) |
| **CASH AND BANK, BEGINNING OF YEAR** | 3,000 | 8,080 |
| **CASH AND BANK, END OF YEAR** | $ 3,232 | $ 3,000 |
| **CASH CONSISTS OF:** | | |
| **CASH** | 3,232 | 3,000 |

**The accompanying notes are an integral part of these financial statements**
**BDO Canada LLP, Chartered Accountants**

## 1. Description of Operations

The Organization is an "Other Government Organization" (OGO) incorporated under the Corporations Act of Newfoundland and Labrador. Its affairs are managed by a Board of Directors appointed by the Lieutenant Governor in Council. The Province of Newfoundland and Labrador holds 100% of the issued common shares. The Corporation is a non-for-profit organization under the Income Tax Act and accordingly is exempt from income taxes, provided certain requirements of the Income Tax Act are met.

## 2. Management's Responsibility for the Financial Statements

The financial statements of the Other Government Organization are the responsibilty of management. They have been prepared in accordance with Canadian public sector accounting standards.

## 3. Significant Accounting Policies

### a) Basis of Accounting

These financial statements have been prepared using Canadian public sector accounting standards.

### b) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand.

### c) Inventory

Inventory is valued at cost

### d) Tangible Capital Assets

Tangible capital assets are recorded at cost less accumulated amortization. Cost includes all costs directly

| | |
|---|---|
| Area Improvements | 30 years |
| Buildings | 15-40 years |
| Computer Equipment | 3 years |
| Equipment under Capital Lease | 10 years |
| Furniture and fixtures | 5 years |
| Lifts | 30 years |
| Rental Equipment | 3 years |
| Signs | 5 years |
| Vehicles | 3-20 years |

#### e) Government Assistance and Other Contributions

Provincial government grants and other contributions related to the acquisitions of capital assets are accounted for as contributed surplus. Federal government grants and other contributions related to the acquisitions of capital assets are recorded as deferred government grants and amortized to income in relation to the amortization of the asset involved. Government assistance and other contributions related to capital assets retired from service are credited against the related capital asset in the year of retirement.

Government grants related to operations are accounted for as revenue or as a reduction of the expense to which the grant relates.

#### f) Government Transfers

Government transfers, which include legislative grants, are recognized in the financial statements in the period in which events giving rise to the transfers occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amount can be made.

#### g) Revenue Recognition

Revenue from sales is recognized when the significant risks and rewards of ownership have been completed and there are no significant obligations remaining, the sales price is fixed and determinable, persuasive evidence of an arrangement exists and collectibility is reasonably assured. This usually occurs at the time the services are provided.

#### h) Leased Assets

Leases entered into that transfer substantially all the benefits and risks associated with ownership are recorded as the acquisition of a tangible capital asset and the incurrence of an obigation. The asset is amortized in a manner consistent with tangible capital assets owned by the Organization, and the obligation, including interest thereon, is liquidated over the term of the lease. All other leases are accounted for as operating leases and the rental costs are expensed as incurred.

#### i) Use of Estimates

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from manangement's best estimates as additional information becomes available in the future.

## 4. Accounts Receivable

| | 2014 | 2013 |
|---|---|---|
| Trade | $ 33,066 | $ 55,275 |
| Deferred Revenue | (21,500) | (28,165) |
| | $ 11,566 | $ 27,110 |

The deferred revenue account records any deposits on events for the upcoming year

## 5. Deferred Charges

During the year the organization purchased uniforms for its employees in the amount of $27,783. As discussed with management, these uniforms will be amortized over a period of three years. The amount amortized in 2014 $9,261.

## 6. Prepaid Expenses

| | 2014 | 2013 |
|---|---|---|
| Lease of Assets | $ 1,651 | $ 7,210 |
| Computer Support | 3,738 | - |
| Automation | 4,311 | 5,260 |
| Property Agreement | - | 16,000 |
| | $ 9,701 | $ 28,470 |

## 7. Bank Indebtedness

The line of credit is authorized in the amount of $2,087,000 and bears interest at the rate of bank prime. It is secured by a Provinical Government guarantee and letter of indemnity and overdraft agreement signed by the Board of Directors

## 8. Accounts Payable and Accrued Liabilities

| | 2014 | 2013 |
|---|---|---|
| Trade | $ 183,158 | $ 356,307 |
| HST Payable | (8,287) | (9,952) |
| Payroll Deductions Payable | 15,228 | 12,485 |
| | $ 190,099 | $ 358,840 |

## 9. Deferred Government Assistance - Capital Assets

| | 2014 | 2013 |
|---|---|---|
| Balance, beginning of year | $ 5,896,290 | $ 5,733,513 |
| Plus: Deferred government assistance received for the year | 450,000 | 500,000 |
| Less: Amount transferred to income by reduction of the amortization expense for the year | (360,003) | (337,223) |
| | $ 5,986,287 | $ 5,896,290 |

**10. Government Assistance and Other Contributions - Operations**

| | | 2014 | | 2013 |
|---|---|---|---|---|
| Administrative Operating Grant | $ | **390,000** | $ | 390,000 |
| Capital Grants | | **450,000** | | 450,000 |
| Marketing Grants | | **150,000** | | 150,000 |
| | $ | **990,000** | $ | 990,000 |

**11.** During the year the operating grant for the 2014/2015 fiscal year was received. This has been set up as a deferred grant to be taken into revenue over the next fiscal year.

**12. Obligations under Capital Lease**

| | | 2014 | | 2013 |
|---|---|---|---|---|
| National Leasing repaid during the year | | **-** | | 7,036 |
| National Leasing bearing interest at 5.65% per annum, repayable in monthly blended payments of $4,960. The lease matures on November 1, 2016 and is secured by a charge over specific equipment. | | **195,426** | | 242,449 |
| National Leasing repaid during the year | | **-** | | 6,295 |
| National Leasing bearing interest at 6.5% per annum, repayable in monthly blended payments of $1461. The lease matures on November 1, 2016 and is secured by a charge over specific equipment. | | **40,360** | | - |
| | $ | **235,785** | $ | 255,780 |
| Amounts payable within one year | | **(65,113)** | | (57,929) |
| | $ | **170,672** | $ | 197,851 |

**13. Contingent Liability**

As at April 30, 2014, a supplier had claimed that the Organization owed it approximately $70,005 for services rendered. The Organization's management feels the claim is unfounded and the likelihood of any loss resulting therefrom is undeterminable. Therefore, the Organization has not recorded a provision for losses that may result from the claim.

**14. Related Party Transactions**

During the year ended April 30, 2014, director's fees of $4,255(2013 - $4,475) were paid in aggregate to the Board of Directors of the Organization.

## 15. Long Term Debt

| | 2014 | 2013 |
|---|---|---|
| Department of Innovation, Rural Development and Trade loan secured by a chattel mortgage on specific equipment. The repayments required to meet retirement provisions are based on available cash flow which is defined as net profit plus amortization less principal payments on long term debt and capital leases. The Organziation has until 2015 to repay the loan in full. | **$300,000** | $300,000 |

## 16. Capital Management

The organization's capital consists of shareholder equity. The organization's primary objectives in managing its capital consist of safeguarding its ability to continue as a going concern and sourcing sufficient capital to provide its services. The organization's primary policy in regards to managing capital is a requirement that committed future expenditures do not exceed current capital resources. The corporation's primary process for amanaging capital consists of the ongoing assessment of current capital resources against budgeted events and administrative expenditures. The organization is not subject to any externally imposed capital requirements. There have been no changes in the corporation's objectives for managing capital or the definition thereof as compared to the previous year.

## 17. Patrol Operating Expenses

| | 2014 | 2013 |
|---|---|---|
| Labour | **$ 74,339** | $ 59,446 |
| Supplies | **8,162** | 4,924 |
| Telephone | **714** | 350 |
| Radio Rental | **1,240** | 540 |
| Sundry | **3,734** | 3,641 |
| | **$ 88,189** | **$ 68,901** |

**Marble Mountain Development Corporation**
**SCHEDULE OF TANGIBLE CAPITAL ASSETS**
**Year Ended April 30, 2014**

*(Schedule 1)*

| | Area Improvements | Buildings | Computer Equipment | Equipment Under Capital Lease | Furniture and Fixtures | Lifts | Rental Equipment | Signs | Vehicles | Totals 2014 | Totals 2013 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | | | | |
| Opening costs | $ 10,721,693 | $ 10,611,966 | $ 67,258 | $ 643,389 | $ 805,585 | $ 5,378,421 | $ 111,521 | $ 96,782 | 7,697,005 | $ 36,133,620 | $ 35,613,916 |
| Additions during the year | 35,507 | - | 51,748 | 40,257 | 21,077 | 23,151 | 17,832 | - | 392,430 | 582,001 | 519,704 |
| Disposals and write downs | - | - | - | (26,589) | - | - | - | - | (16,699) | (43,288) | - |
| Closing costs | 10,757,200 | 10,611,966 | 119,006 | 657,057 | 826,662 | 5,401,572 | 129,353 | 96,782 | 8,072,736 | 36,672,333 | 36,133,620 |
| **Accumulated Amortization** | | | | | | | | | | | |
| Opening accum'd amortization | 6,830,216 | 4,388,728 | 33,007 | 294,677 | 805,585 | 3,186,177 | 111,521 | 96,782 | 6,239,153 | 21,985,846 | 20,712,508 |
| Amortization | 357,982 | 265,300 | 31,044 | 68,390 | 2,108 | 174,596 | 2,972 | - | 378,999 | 1,281,391 | 1,273,338 |
| Disposals and write downs | - | - | - | (22,157) | - | - | | - | (8,349) | (30,506) | - |
| Closing accum'd amortization | 7,188,198 | 4,654,028 | 64,051 | 340,910 | 807,693 | 3,360,773 | 114,493 | 96,782 | 6,609,803 | 23,236,731 | 21,985,846 |
| Net Book Value of Tangible Capital Assets | $ 3,569,002 | $ 5,957,938 | $ 54,955 | $ 316,147 | $ 18,969 | $ 2,040,799 | $ 14,860 | $ - | $ 1,462,933 | $ 13,435,602 | $ 14,147,774 |

**The accompanying notes are an integral part of these financial statements**
**BDO Canada LLP, Chartered Accountants**

**MARBLE MOUNTAIN DEVELOPMENT CORPORATION**
**Lift Operations** *(Schedule 2)*
**Year Ended April 30, 2014**

| | 2014 | 2013 |
|---|---|---|
| **Revenue** | | |
| Lift Ticket Revenue | $ 589,112 | $ 558,160 |
| Season Pass Revenue | 611,371 | 565,841 |
| Children Center Revenue | 9,319 | 8,082 |
| Miscellaneous Revenue | 62,865 | 50,040 |
| | 1,272,667 | 1,182,123 |
| **Expenditures** | | |
| Children's centre | 11,523 | 14,777 |
| Communications | 7,684 | 4,902 |
| Management contract | 100,800 | 103,600 |
| Equipment rental | 1,462 | 8,882 |
| Heating and electricity | 160,150 | 151,059 |
| Insurance | 94,769 | 117,748 |
| Interest and bank charges | 52,727 | 46,981 |
| Labour | 450,703 | 387,558 |
| Lift repairs | 98,279 | 136,821 |
| Maintenance | | |
| Building | 47,172 | 30,824 |
| Slopes | 29,148 | 40,591 |
| Miscellaneous | 20,540 | 19,803 |
| Municipal fees | 40,000 | 24,000 |
| Security | 299 | 299 |
| Patrol expenses *(Note 17)* | 88,189 | 68,901 |
| Snowclearing | 29,400 | 40,690 |
| Snowmaking | | |
| Electricity | 97,541 | 87,589 |
| Labour | 30,865 | 23,065 |
| Equipment maintenance | 34,919 | 67,632 |
| Supplies | 32,394 | 28,659 |
| Vehicle operating | | |
| Repairs | 78,609 | 37,708 |
| Fuel | 79,733 | 62,340 |
| Uniforms | 4,535 | 8,079 |
| | 1,591,441 | 1,512,508 |
| **Income from operations** | $ (318,774) | $ (330,385) |

**MARBLE MOUNTAIN DEVELOPMENT CORPORATION**
**Repair Shop** *(Schedule 3)*
**Year Ended April 30, 2014**

| | 2014 | 2013 |
|---|---|---|
| **Revenue** | **$ 54,015** | $ 48,418 |
| **Expenditures** | | |
| Labour | **19,104** | 16,218 |
| Supplies | **1,412** | 1,046 |
| | **20,516** | 17,264 |
| **Income from operations** | **$ 33,499** | $ 31,154 |

**The accompanying notes are an integral part of these financial statements.**
**BDO Canada LLP, Chartered Accountants**

**MARBLE MOUNTAIN DEVELOPMENT CORPORATION**
**Rental**
**Year Ended April 30, 2014**

*(Schedule 4)*

| | 2014 | 2013 |
|---|---|---|
| **Revenue** | **$ 187,039** | $ 178,201 |
| **Expenditures** | | |
| Communications | **231** | 231 |
| Labour | **49,162** | 42,499 |
| Supplies | **1,558** | 1,122 |
| | **50,951** | **43,852** |
| **Income from operations** | **$ 136,088** | **$ 134,349** |

**The accompanying notes are an integral part of these financial statements.**
**BDO Canada LLP, Chartered Accountants**

**MARBLE MOUNTAIN DEVELOPMENT CORPORATION**
**Cafeteria** *(Schedule 5)*
**Year Ended April 30, 2014**

| | 2014 | 2013 |
|---|---|---|
| **Revenue** | $ 257,802 | $ 220,316 |
| Cost of sales | 130,531 | 104,468 |
| **Gross profit** | 127,271 | 115,848 |
| **Expenditures** | | |
| Communications | 527 | 949 |
| Labour | 90,185 | 75,101 |
| Miscellaneous | 2,867 | 503 |
| Repairs and maintenance | 12,855 | 2,831 |
| Supplies | 10,649 | 6,904 |
| | 117,082 | 86,288 |
| **Income from operations** | $ 10,189 | $ 29,560 |

**The accompanying notes are an integral part of these financial statements.**
**BDO Canada LLP, Chartered Accountants**

## MARBLE MOUNTAIN DEVELOPMENT CORPORATION

**Bar** **(Schedule 6)**

**Year Ended April 30, 2014**

| | 2014 | 2013 |
|---|---|---|
| **Revenue** | $ 183,650 | $ 151,466 |
| Cost of sales | 64,888 | 59,890 |
| **Gross profit** | 118,762 | 91,576 |
| **Expenditures** | | |
| Communications | 290 | 168 |
| Entertainment | 4,475 | 3,750 |
| Labour | 37,230 | 30,419 |
| Licenses and fees | 800 | - |
| Repairs and maintenance | 78 | 1,238 |
| Security | 3,082 | 943 |
| Special Events - Bar | - | 8,226 |
| Supplies | 4,692 | 3,525 |
| Utilities | 2,019 | 1,467 |
| | 52,666 | 49,736 |
| **Income from operations** | $ 66,096 | $ 41,840 |

**MARBLE MOUNTAIN DEVELOPMENT CORPORATION**
**Ski School** ***(Schedule 7)***
**Year Ended April 30, 2014**

| | **2014** | 2013 |
|---|---|---|
| **Revenue** | **$ 137,510** | $ 127,641 |
| **Expenditures** | | |
| Communications | **1,004** | 410 |
| Kruncheers Club | **3,008** | 5,199 |
| Labour | **113,011** | 95,988 |
| Miscellaneous | **3,056** | 1,081 |
| Supplies | **897** | 2,079 |
| Training | **2,694** | 3,238 |
| Uniforms | **-** | - |
| | **123,669** | 107,995 |
| **Income from operations** | **$ 13,841** | $ 19,646 |

**The accompanying notes are an integral part of these financial statements.**
**BDO Canada LLP, Chartered Accountants**

**MARBLE MOUNTAIN DEVELOPMENT CORPORATION**
**Events** *(Schedule 8)*
**Year Ended April 30, 2014**

| | 2014 | 2013 |
|---|---|---|
| **Revenue** | | |
| Events | $ 225,124 | $ 154,412 |
| BBQ | 11,538 | 6,544 |
| | 236,662 | 160,956 |
| **Cost of sales** | | |
| Events | 62,306 | 35,554 |
| BBQ | 4,792 | 2,043 |
| | 67,098 | 37,597 |
| **Gross profit** | 169,564 | 123,359 |
| **Expenditures** | | |
| Communications | 526 | 233 |
| Interest and bank charges | - | 5,137 |
| Labour | 94,974 | 73,576 |
| Labour - BBQ | 4,762 | 10,475 |
| Maintenance | 916 | 4,670 |
| Miscellaneous | 5,524 | 2,685 |
| Security | - | 1,442 |
| Supplies | 2,844 | 3,385 |
| Supplies - BBQ | 2,388 | 5,023 |
| | 111,935 | 106,626 |
| **Income from operations** | $ 57,629 | $ 16,733 |

**The accompanying notes are an integral part of these financial statements.**
**BDO Canada LLP, Chartered Accountants**

**MARBLE MOUNTAIN DEVELOPMENT CORPORATION**
**Marketing** *(Schedule 9)*
**Year Ended April 30, 2014**

| | 2014 | 2013 |
|---|---|---|
| **Revenue** | | |
| Sponsorships | $ 38,477 | $ 22,000 |
| Marketing Revenue - Advertising | 25,558 | $ 14,070 |
| Marketing Grant | 150,000 | 196,000 |
| | 214,035 | 232,070 |
| **Expenditures** | | |
| Advertising | | |
| Internet | - | - |
| Partnership Contributions | 2,049 | 1,933 |
| Print | 3,374 | - |
| Digital Media | 211 | - |
| Communications | 3,457 | 3,435 |
| Labour | 78,009 | 49,921 |
| Marketing agency | 155,000 | 208,800 |
| Membership fees | 4,173 | 2,588 |
| Office and postage | - | 17 |
| Ski shows and familiarization tours | | 605 |
| Supplies | 10,176 | 5,196 |
| Travel and meetings | 2,876 | - |
| Uniforms | 1,713 | - |
| | 261,038 | 272,495 |
| **Income from operations** | $ (47,003) | $ (40,425) |

**The accompanying notes are an integral part of these financial statements.**
**BDO Canada LLP, Chartered Accountants**

**MARBLE MOUNTAIN DEVELOPMENT CORPORATION**
**Marble Villa**
**Year Ended April 30, 2014**

***(Schedule 10)***

| | 2014 | 2013 |
|---|---|---|
| **Revenue** | **$ 326,445** | $ 285,728 |
| **Expenditures** | | |
| Cable television | **5,540** | 5,168 |
| Communications | **6,159** | 6,036 |
| Heat and light | **41,209** | 35,538 |
| Labour | **62,936** | 68,187 |
| Insurance | **5,097** | 6,019 |
| Interest and bank charges | **10,902** | 1,213 |
| Laundry | **510** | 497 |
| Marketing | **3,550** | 4,725 |
| Miscellaneous | **742** | 1,002 |
| Repairs and maintenance | **24,203** | 22,245 |
| Supplies | **16,747** | 6,421 |
| | **177,595** | 157,051 |
| **Income from operations** | **$ 148,851** | $ 128,677 |

**The accompanying notes are an integral part of these financial statements.**
**BDO Canada LLP, Chartered Accountants**

**MEMORIAL UNIVERSITY OF NEWFOUNDLAND**
**INDEX TO CONSOLIDATED FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED MARCH 31, 2014**

# INDEPENDENT AUDITORS' REPORT

To the Board of Regents of
**Memorial University of Newfoundland**

We have audited the accompanying consolidated financial statements of **Memorial University of Newfoundland** which comprise the consolidated statement of financial position as at March 31, 2014 and the consolidated statements of operations, remeasurement gains, changes in net deficiency and cash flows for the year then ended, and 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 the auditors' 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, the auditors 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 in our audit 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 financial position of **Memorial University of Newfoundland** as at March 31, 2014 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Ernst + Young LLP

Chartered Accountants

St. John's, Canada
July 3, 2014

**Memorial University of Newfoundland** **Statement 1**

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at March 31
[thousands of dollars]

| | 2014 | 2013 |
|---|---|---|
| **ASSETS** | | |
| **Current** | | |
| Cash and cash equivalents | 19,511 | 13,528 |
| Restricted cash *[note 4]* | 7,426 | 6,756 |
| Short-term investments *[note 6]* | 132,171 | 110,429 |
| Accounts receivable | 64,871 | 87,806 |
| Other current assets | 7,400 | 6,697 |
| **Total current assets** | 231,379 | 225,216 |
| Portfolio investments *[note 6]* | 107,684 | 101,733 |
| Assets under construction *[note 8]* | 141,954 | 160,050 |
| Tangible capital assets *[note 7]* | 241,375 | 191,017 |
| **Total assets** | 722,392 | 678,016 |
| **LIABILITIES** | | |
| **Current** | | |
| Bank indebtedness *[note 5]* | 12,533 | 13,748 |
| Accounts payable and accrued liabilities | 63,235 | 65,150 |
| Deferred revenue | 37,347 | 43,197 |
| Deferred contributions - external grants and donations *[note 10]* | 97,498 | 89,179 |
| Current portion of long term debt *[note 11]* | 517 | 514 |
| **Total current liabilities** | 211,130 | 211,788 |
| Long term debt *[note 11]* | 312 | 829 |
| Derivative liability | 1,643 | 2,167 |
| Post-employment benefits *[note 12]* | 171,817 | 158,342 |
| Deferred capital contributions *[note 9]* | 362,473 | 327,648 |
| **Total liabilities** | 747,375 | 700,774 |
| **NET DEFICIENCY** | | |
| Net assets restricted for endowment purposes | 74,018 | 69,089 |
| Net assets related to remeasurement gains | 7,255 | 1,916 |
| Unrestricted net deficiency | (106,256) | (93,763) |
| **Total net deficiency** | (24,983) | (22,758) |
| **Total liabilities and net deficiency** | 722,392 | 678,016 |

*See accompanying notes*
*Contingencies [note 13]*

On behalf of the Board:

Chair of the Board of Regents

Chair of the Finance Committee

**Memorial University of Newfoundland** **Statement 2**

## CONSOLIDATED STATEMENT OF OPERATIONS

Year ended March 31
[thousands of dollars]

| | **2014** | 2013 |
|---|---|---|
| **REVENUE** | | |
| Government grants | **444,274** | 423,694 |
| Student fees | **62,469** | 62,711 |
| Other income | **61,489** | 56,701 |
| Amortization of deferred capital contributions *[note 9]* | **25,561** | 22,847 |
| Sales and services | **13,612** | 11,393 |
| Investment income | **7,701** | 6,364 |
| | **615,106** | 583,710 |
| **EXPENSES** | | |
| Salaries and employee benefits | **412,558** | 398,913 |
| Materials and supplies | **37,061** | 36,836 |
| Repairs and maintenance | **32,486** | 32,471 |
| Utilities | **28,218** | 25,451 |
| Scholarships, bursaries and awards | **26,567** | 26,773 |
| Amortization of tangible capital assets | **25,789** | 21,986 |
| Other operating expenses | **17,242** | 12,686 |
| Travel and hosting | **16,733** | 16,249 |
| Externally contracted service | **16,720** | 15,813 |
| Post-employment benefits *(note 12)* | **13,476** | 11,474 |
| Professional fees | **11,786** | 12,615 |
| Equipment rentals | **4,096** | 4,177 |
| Interest expense | **587** | 623 |
| External cost recoveries | **(19,132)** | (19,758) |
| | **624,187** | 596,309 |
| **Excess of expenses over revenue** | **(9,081)** | (12,599) |

*See accompanying notes*

## CONSOLIDATED STATEMENT OF REMEASUREMENT GAINS

Year ended March 31
[thousands of dollars]

| | 2014 | 2013 |
|---|---|---|
| **Accumulated remeasurement gains at beginning of year** | **1,916** | - |
| Unrealized gains attributable to: | | |
| Portfolio investments | **6,427** | 1,979 |
| Derivative liability | **534** | 181 |
| Amounts reclassified to consolidated statement of operations: | | |
| Portfolio investments | **(1,622)** | (244) |
| **Accumulated remeasurement gains at end of year** | **7,255** | 1,916 |

*See accompanying notes*

**Memorial University of Newfoundland** **Statement 4**

## CONSOLIDATED STATEMENT OF CHANGES IN NET DEFICIENCY

As at March 31
[thousands of dollars]

| | Net Assets Restricted for Endowment Purposes | Net Assets Related to Remeasurement Gains | Unrestricted Net Deficiency | 2014 | 2013 |
|---|---|---|---|---|---|
| **Balance, beginning of year** | **69,089** | **1,916** | **(93,763)** | **(22,758)** | (15,984) |
| Change in remeasurement gains for the current year | **-** | **5,339** | **-** | **5,339** | 1,916 |
| Excess of revenue over expense (expense over revenue) | **3,412** | **-** | **(12,493)** | **(9,081)** | (12,599) |
| Endowment contributions | **1,517** | **-** | **-** | **1,517** | 3,909 |
| **Balance, end of year** | **74,018** | **7,255** | **(106,256)** | **(24,983)** | (22,758) |

*See accompanying notes*

## CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended March 31
[thousands of dollars]

| | **2014** | 2013 |
|---|---|---|
| **OPERATING ACTIVITIES** | | |
| Excess of expenses over revenue | **(9,081)** | (12,599) |
| Items not affecting cash: | | |
| Amortization of tangible capital assets | **25,789** | 21,986 |
| Amortization of deferred capital contributions | **(25,561)** | (22,847) |
| Loss on disposal of tangible capital assets | **48** | 135 |
| Increase in post-employment benefits, net | **13,475** | 11,474 |
| Change in non-cash working capital | **22,796** | 1,974 |
| **Cash provided by operating activities** | **27,466** | 123 |
| **CAPITAL ACTIVITIES** | | |
| Purchase of tangible capital assets | **(76,195)** | (59,762) |
| Net change in assets under construction (purchases less transfers) | **18,096** | (53,950) |
| Contributions received for capital purposes | **60,386** | 115,551 |
| **Cash provided by capital activities** | **2,287** | 1,839 |
| **INVESTING ACTIVITIES** | | |
| Increase (decrease) in short-term investments, net | **(21,742)** | 4,107 |
| Increase in restricted cash, net | **(670)** | (561) |
| Increase in portfolio investments, net | **(1,146)** | (4,926) |
| **Cash used in investing activities** | **(23,558)** | (1,380) |
| **FINANCING ACTIVITIES** | | |
| Decrease in bank indebtedness, net | **(1,215)** | (1,391) |
| Endowment contributions | **1,517** | 3,909 |
| Decrease in long-term debt, net | **(514)** | (110) |
| **Cash (used in) provided by financing activities** | **(212)** | 2,408 |
| **Net change in cash and cash equivalents during the year** | **5,983** | 2,990 |
| Cash and cash equivalents, beginning of year | **13,528** | 10,538 |
| **Cash and cash equivalents, end of year** | **19,511** | 13,528 |

*See accompanying notes*

# 1. AUTHORITY AND PURPOSE

Memorial University of Newfoundland [the "University"] is a corporation operating under the authority of the *Memorial University Act*. It is a comprehensive research university offering a full range of undergraduate, graduate and continuing studies programs. The academic governance of the University is vested in the Senate. The University is a government not-for-profit organization [GNPO], governed by a Board of Regents, the majority of whom are appointed by the Government of Newfoundland and Labrador. The University is a registered charity under the *Income Tax Act [Canada]* and, accordingly, is exempt from income taxes, provided certain requirements of the *Income Tax Act [Canada]* are met.

# 2. SIGNIFICANT ACCOUNTING POLICIES

## Basis of presentation

The consolidated financial statements of the University have been prepared by management in accordance with Canadian public sector accounting standards for GNPO's, including the 4200 series of standards, as issued by the Public Sector Accounting Board [PSAB].

## Reporting entity

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the University and the following not-for-profit organizations, which are controlled by the University:

C-CORE
Campus Childcare Inc.
The Canadian Centre for Fisheries Innovation
Genesis Group Inc.
The Memorial University of Newfoundland Botanical Garden Incorporated (dissolved April 2013)
Memorial University Recreation Complex
Newfoundland Quarterly Foundation (dissolved April 2013)
Western Sports and Entertainment Inc.

All intercompany assets and liabilities, revenues and expenses have been eliminated.

The reported operations and financial positions of dissolved entities have been included in the consolidated financial statements up to the date of their dissolution.

## Use of estimates

The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and reported amounts of revenues and expenses during the year at the date of the consolidated financial statements. Actual results could differ from these estimates. Estimates are reviewed periodically, and as adjustments become necessary, they are reported in the earnings of the period during which they became known. Areas of key estimation include actuarial assumptions for post-employment benefits, allowance for doubtful accounts, amortization rates and cost of assets under construction.

## Revenue recognition

Revenues from contracts, sales, unrestricted investment income [interest, dividends, realized gains and losses], other ancillary services [parking, residence, sundry sales, etc.] and student fees are recognized when the goods or services are provided and collection is reasonably assured.

The University follows the deferral method of accounting for contributions, which include donations and government grants, as follows:

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

Contributions externally restricted for purposes other than endowment are initially deferred and recognized as revenue in the year during which the related expenses are incurred.

Restricted contributions for the purchase of capital assets are deferred and amortized to operations on the same basis as the related asset.

Endowment contributions are recognized as direct increases in the net assets in the year during which they are received.

Restricted investment income [interest, dividends, realized gains and losses] is recognized in the year in which the related expenses are incurred.

Restricted investment income [interest, dividends, realized gains and losses] that must be maintained as an endowment is recorded as a direct increase/decrease to net assets.

## Expense recognition

Expenses are recorded on the accrual basis as they are incurred and measureable based on receipt of goods or services and obligation to pay.

## Cash and cash equivalents

Cash and cash equivalents include cash on deposit, investments in money-market funds and short-term investments with original terms to maturity of 90 days or less. Cash and cash equivalents held by external investment managers for investing rather than liquidity purposes are classified as investments.

## Tangible capital assets

Purchased tangible capital assets are recorded at cost less accumulated amortization. Contributed tangible capital assets are recorded at fair value at the date of acquisition. Repairs and maintenance expenditures are charged to operations. Betterments which meet certain criteria are capitalized.

The University's permanent art collection is expensed when purchased and the value of donated art is not recognized in these consolidated statements.

The University's library collection is capitalized and recorded at cost.

Assets under construction are not recorded as tangible capital assets, or amortized, until the asset is put into service.

Assets under capital lease are recorded as tangible capital assets and amortized on the same basis as the underlying asset.

Tangible capital assets are amortized over their useful lives using the following methods and rates. Half a year's amortization is taken in the year of acquisition and no amortization is taken in the year of disposal.

| Asset | Rate | Method |
|---|---|---|
| Buildings | 8% | Declining balance |
| Furniture and equipment | 20% | Declining balance |
| Computers | 30% | Declining balance |
| Software | 20% | Declining balance |
| Vehicles and vessels | 30% | Declining balance |
| Library collection | 10 years | Straight line |

## Impairment of long-lived assets

Tangible capital assets are written down when conditions indicate they no longer contribute to the University's ability to provide goods and services, or when the value of the future economic benefits associated with the tangible capital assets is less than their net book value. The net write-downs are accounted for as expenses in the consolidated statement of operations. Any associated unamortized deferred capital contributions related to the derecognized assets is recognized in income.

## Post-employment benefits

### Pension plan

The employees of the University participate in a defined benefit pension plan [the Plan] administered under the *Memorial University Pensions Act* with any deficiencies being funded by the Province of Newfoundland and Labrador. Payments to the Plan consist of contributions from employees together with matching amounts from the University plus any additional amounts required to be paid by an employer as prescribed in the *Pension Benefits Act (1997)* [PBA]. In addition to its matching contributions, the University made a special payment of $20.3 million to the Plan during the year. This payment was made against the going concern unfunded liability, not attributable to indexing, that was identified in the December 31, 2012 valuation of the Plan. With respect to a solvency deficiency, the PBA requires that an employer contribute an amount sufficient to liquidate the deficiency within five years of the solvency valuation date. The University's contributions to the pension plan are recorded as an expense in the consolidated statement of operations. The assets and obligations of the plan are not recorded in these consolidated financial statements.

An actuarial valuation of the Plan was performed for funding purposes as at December 31, 2012 and the results of the valuation and its extrapolation to March 31, 2013 were reported upon in the March 31, 2013 financial statements. During the 2013/2014 fiscal year, the valuation was revised to reflect changes to certain economic and demographic assumptions. This included a change in the discount rate from 6.0% to 6.3% and a change in the retirement age assumption to reflect the fact that since mandatory retirement was eliminated, a number of Plan members are electing to work beyond age 65. The impact of these changes is disclosed and addressed in the March 31, 2014 financial statements of the pension plan. The revised assumptions have been incorporated into the valuation prepared as at December 31, 2013 and the results have been extrapolated to March 31, 2014 for financial statement reporting.

The extrapolation revealed that the going concern unfunded liability is $295.8 million at March 31, 2014 based on current Plan provisions and PBA requirements. Under the PBA, a going concern unfunded liability must be funded over a period of not more than 15 years while a solvency deficiency must be funded over a maximum five-year period. A portion of the going concern unfunded liability relates to the past service cost of indexing, introduced under the Plan, effective July 1, 2004. A funding arrangement was implemented coinciding with the introduction of indexing to liquidate this unfunded liability over a period of 40 years. At March 31, 2014, approximately 30.25 years are remaining in the amortization schedule. The indexing liability is amortized on a declining balance basis along with recognition that if the indexing contributions (i.e., an additional 0.6% of payroll being made by both the University and employees) exceed the originally scheduled amortization payment, that 15 years' worth of these excess contributions can be accounted for when determining the University's special payments.

The University is required to make special payments to fund the going concern unfunded liability revealed in the December 31, 2012 actuarial valuation. As at December 31, 2012 the going concern unfunded liability was $292.7 million. The portion of the going concern unfunded liability (after accounting for the indexing liability) to be amortized was $220.0 million and the required amortization payment for fiscal 2014/2015 is $22.6 million (or 7.2% of pensionable payroll) (2013/2014 - $20.3 million). University special payments will continue at this level (i.e., 7.2% of pensionable payroll) until the next actuarial valuation for funding purposes, which is due no later than December 31, 2015 (i.e., within three years of the December 31, 2012 actuarial valuation).

With respect to solvency, the University is exempt from the solvency funding requirements of the PBA until December 31, 2015.

**Other post-employment benefits**

In addition to the University's pension plan, the University also has defined benefit plans for other post-employment benefits. These benefits are actuarially determined using the projected benefit method prorated on service and the administration's best estimate of salary escalation, retirement ages of employees and escalation on covered benefit expense outlays. Actuarial gains and losses will be amortized over the average remaining service life of employees.

The post-employment benefits are:

Supplemental Retirement Income Plan
Voluntary Early Retirement Income Plan
Other benefits [severance, group life insurance and health care benefits]

Additional disclosure is provided in note 12.

## Financial instruments

The University classifies its financial instruments as either fair value or amortized cost. The accounting policy for each category is as follows:

### Fair value

This category includes cash and cash equivalents, restricted cash, bank indebtedness, derivatives and equity investments quoted in an active market for identical assets or liabilities using the last bid price. The University has designated its bond portfolio that would otherwise be classified into the amortized cost category at fair value as the University manages and reports performance of it on a fair value basis.

These financial instruments are initially recognized at fair value and subsequently carried at fair value.

Transaction costs related to these financial instruments in the fair value category are expensed as incurred.

Unrealized changes in fair value are recognized in the consolidated statement of remeasurement gains until they are realized, when they are transferred to the consolidated statement of operations.

Where a decline in fair value is determined to be other than temporary, the amount of the loss is removed from accumulated remeasurement gains and recognized in the consolidated statement of operations. On sale, the amount held in accumulated remeasurement gains with that instrument is removed from net assets and recognized in the consolidated statement of operations.

### Amortized cost

This category includes short term investments, accounts receivable, accounts payable and accrued liabilities and debt. They are initially recognized at fair value and subsequently carried at amortized cost using the effective interest rate method, less any impairment losses.

Transaction costs related to financial instruments in the amortized cost category are added to the carrying value of the instrument.

Short term investments consist of investments in debt securities, whether or not quoted in an active market, initially recorded at fair value plus financing fees and transaction costs that are directly attributable to their acquisition or disposal. These debt securities are thereafter carried at amortized cost using the straight line amortization method.

Write-downs of financial assets in the amortized cost category are recognized when the amount of the loss is known with sufficient precision, and there is no realistic prospect of recovery. Financial assets are then written down to net recoverable value with the write-down being recognized in the consolidated statement of operations.

## Derivative financial instruments

Derivative financial instruments are utilized by the University in the management of interest rate exposure related to its bank indebtedness. The University may also enter into foreign exchange forward contracts to eliminate the risk of fluctuating foreign exchange rates on future commitments. The University does not utilize derivative financial instruments for trading or speculative purposes.

The University enters into interest rate swaps in order to reduce the impact of fluctuating interest rates on its floating rate bank indebtedness. These swap agreements require the periodic exchange of payments without the exchange of the notional principal amount on which the payments are based.

### Contributed materials and services

If contributed materials meet the definition of a tangible capital asset, and fair value is determinable, the University capitalizes and amortizes the tangible capital asset. All other contributed materials are not recognized in these consolidated financial statements.

Volunteers, including volunteer efforts from the staff of the University, contribute an indeterminable number of hours per year to assist the University in carrying out its service delivery activities. The cost that would otherwise be associated with these contributed services is not recognized in these consolidated financial statements.

### Agency obligations

The University acts as an agent which holds resources and makes disbursements on behalf of various unrelated groups. The University has no discretion over such agency transactions. Resources received in connection with such agency transactions are reported as liabilities and subsequent distributions are recorded as decreases in these liabilities.

## 3. MEMORIAL UNIVERSITY ACT

In accordance with the *Memorial University Act*, the University is normally prohibited from recording a deficit on its consolidated financial statements in excess of ¼ of 1% of its total revenue.

During 1996, pursuant to Section 36 of the *Memorial University Act*, the University received approval from the Lieutenant-Governor in Council to record a deficit of up to $5.0 million in 1996 and an additional $10.0 million in 1997 as a result of the recognition of the liabilities related to VERIP for faculty and staff.

During 2001, the University received approval from the Lieutenant-Governor in Council to exclude from the definition of a deficit, pursuant to Section 36 of the *Memorial University Act*, any amounts resulting from the recognition of the liabilities related to recording vacation pay entitlements, severance and other post-employment benefits.

## 4. RESTRICTED CASH

Restricted cash consists of premiums paid to Manulife Financial on behalf of employees which are held in an interest-bearing bank account to be used to fund future rate increases or enhancements in the long-term disability and basic term life insurance plans. The related liability is included in accounts payable and accrued liabilities.

## 5. BANK INDEBTEDNESS

Pursuant to Section 41 of the *Memorial University Act*, the University has received approval from the Lieutenant-Governor in Council to borrow to finance two capital projects. The projects involved the construction of a new residence complex for Grenfell Campus [Project 1] and the implementation of an energy performance program in five buildings on the University's main campus in St. John's [Project 2]. The debt has been negotiated using bankers' acceptances [BA's] which mature during the 2014/15 fiscal year. Management expects to refinance these loans through BA's for the balance of the term of the loan. Disclosure related to interest rate risk is provided in *note 14*.

### Derivative liability

Project 1 interest rate swap transaction involves the exchange of the underlying floating rate Canadian BA for a fixed interest rate of 4.76% expiring April 12, 2017 with a notional amount of $2.2 million. The fair value of this interest rate swap is $0.19 million [2013 - $0.27 million].

Project 2 interest rate swap transaction involves the exchange of the underlying floating rate Canadian BA for a fixed interest rate of 5.12% expiring October 1, 2022 with a notional amount of $10.3 million. The fair value of this interest rate swap is $1.45 million [2013 - $1.90 million].

## 6. FINANCIAL INSTRUMENT CLASSIFICATION

The following table provides cost and fair market value information of financial instruments by category. The maximum exposure to credit risk is the carrying amount shown below.

| [thousands of dollars] | 2014 | | | 2013 |
|---|---|---|---|---|
| | **Fair Value** | **Amortized Cost** | **Total** | Total |
| Cash and cash equivalents | **19,511** | **-** | **19,511** | 13,528 |
| Restricted cash | **7,426** | **-** | **7,426** | 6,756 |
| Short term investments | **-** | **132,171** | **132,171** | 110,429 |
| Accounts receivable | **-** | **64,871** | **64,871** | 87,806 |
| Portfolio investments | **107,684** | **-** | **107,684** | 101,733 |
| Bank indebtedness | **12,533** | **-** | **12,533** | 13,748 |
| Accounts payable and accrued liabilities | **-** | **63,235** | **63,235** | 65,150 |
| Long term debt | **-** | **829** | **829** | 1,343 |
| Derivative liability | **1,643** | **-** | **1,643** | 2,167 |

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which fair value is observable:

Level 1 fair value measurements are those derived from quoted prices in active markets for identical assets or liabilities using the last bid price.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

| [thousands of dollars] | 2014 | | | | 2013 |
|---|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** | Total |
| Cash and cash equivalents | **19,511** | **-** | **-** | **19,511** | 13,528 |
| Restricted cash | **7,426** | **-** | **-** | **7,426** | 6,756 |
| Investments | | | | | |
| Publicly traded equity - CDN | **26,193** | **-** | **-** | **26,193** | 25,338 |
| Publicly traded equity – USD | **8,463** | **-** | **-** | **8,463** | 6,712 |
| Publicly traded equity – Global | **5,580** | **-** | **-** | **5,580** | 5,114 |
| Fixed income | **-** | **67,448** | **-** | **67,448** | 64,569 |
| Bank indebtedness | **-** | **12,533** | **-** | **12,533** | 13,748 |
| Derivative liability | **-** | **-** | **1,643** | **1,643** | 2,167 |

## 7. TANGIBLE CAPITAL ASSETS

| [thousands of dollars] | 2014 | | | 2013 |
|---|---|---|---|---|
| | **Cost** | **Accumulated Amortization** | **Net Book Value** | Net Book Value |
| Buildings | **309,355** | **157,277** | **152,078** | 107,083 |
| Furniture and equipment | **129,822** | **77,605** | **52,217** | 47,915 |
| Computers | **28,730** | **21,321** | **7,410** | 5,603 |
| Software | **4,780** | **2,217** | **2,563** | 2,528 |
| Vehicles and vessels | **5,002** | **4,729** | **273** | 317 |
| Library collection | **150,679** | **123,845** | **26,834** | 27,571 |
| **Total** | **628,368** | **386,993** | **241,375** | 191,017 |

Amortization expense for the year is $25.8 million (2013 - $22.0 million).

## 8. ASSETS UNDER CONSTRUCTION

Assets under construction represent costs incurred to date on the construction of new facilities. When construction is completed, the assets will be reclassified to tangible capital assets and amortization will commence. Assets under construction are as follows:

| [thousands of dollars] | **2014** | 2013 |
|---|---|---|
| **Project Description** | | |
| Grenfell Campus (GC) New Residence | **-** | 18,542 |
| MUN Residences | **32,388** | 55,943 |
| Medical School Extension | **54,085** | 45,569 |
| Ocean Sciences Center Deep Water Supply | **24,127** | 19,637 |
| Grenfell Campus Environmental Labs | **3,731** | 2,086 |
| Engineering Expansion | **6,464** | 3,139 |
| C-CORE Expansion | **6,239** | 4,192 |
| Core Science Facility | **1,054** | 230 |
| 100 Signal Hill Road Property | **11,229** | 10,712 |
| Training Boat and Launching System | **26** | - |
| Offshore Operations Simulator | **1,244** | - |
| HMDC Offshore Operations Facility | **51** | - |
| GC Environmental Lab Equipment | **1,015** | - |
| GC Emergency Generator | **301** | - |
| **Total** | **141,954** | 160,050 |

## 9. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions related to tangible capital assets represent the unamortized and unspent amount of donations and grants received for the purchase of tangible capital assets. The amortization of deferred capital contributions is recorded as revenue in the consolidated statement of operations.

| [thousands of dollars] | **2014** | 2013 |
|---|---|---|
| Balance, beginning of year | **327,648** | 234,944 |
| Additional contributions received | **60,386** | 115,551 |
| Less amounts amortized to revenue | **(25,561)** | (22,847) |
| Balance, end of year | **362,473** | 327,648 |

## 10. DEFERRED CONTRIBUTIONS – EXTERNAL GRANTS AND DONATIONS

Deferred contributions related to expenses of future periods represent unspent externally restricted grants and donations for research and other programs.

| [thousands of dollars] | **2014** | 2013 |
|---|---|---|
| Balance, beginning of year | **89,179** | 87,377 |
| Grants and donations received during the year | **73,136** | 81,146 |
| Less expenses incurred during the year | **(64,817)** | (79,344) |
| Balance, end of year | **97,498** | 89,179 |

## 11. LONG-TERM DEBT

| [thousands of dollars] | **2014** | 2013 |
|---|---|---|
| CMHC mortgage on Queen's College, 5.875% interest, repayable in 50 equal, blended payments of $29 semi-annually, maturing in June 2019, secured | **227** | 270 |
| Capital leases negotiated through the RBC Royal Bank, varying interest rates, payable in equal annual installments, secured by assets under lease | **602** | 1,073 |
| | **829** | 1,343 |
| Less: current portion | **517** | 514 |
| | **312** | 829 |

Annual repayments of long-term debt over the next five years are as follows:

| | |
|---|---|
| 2015 | 517 |
| 2016 | 179 |
| 2017 | 51 |
| 2018 | 54 |
| 2019 | 28 |

## 12. POST-EMPLOYMENT BENEFITS

The University has a number of post-employment benefit liabilities including employee future benefits (severance, health and dental benefits and life insurance), Voluntary Early Retirement Income Plan (VERIP) and Supplemental Retirement Income Plan (SRIP).

### Employee Future Benefits

The University provides group life insurance and health care benefits on a cost shared basis to retired employees, and in certain cases, their surviving spouses. In addition, the University pays severance to certain employee groups upon termination, retirement or death, provided they meet certain eligibility criteria. The cost of providing these future benefits is unfunded. Current year payments are funded on an annual basis from operations.

The significant actuarial assumptions used in measuring these benefits include the following:

| | 2014 | 2013 |
|---|---|---|
| Discount rate: | | |
| Liability | **4.40%** | 4.10% |
| Expense | **4.10%** | 4.13% |
| Average rate of compensation increase | **4.00%** | 4.00% |

The health care inflation rate is 7% in year 1, reducing 0.5% per year to 4% in year 7 and later (2013 – 4.0% per annum). There is no explicit inflation rate used in this valuation.

## Voluntary Early Retirement Income Plan (VERIP)

In February and May 1996, the University offered faculty and staff, who reached age 55 and attained a minimum of 10 years pensionable service, an opportunity to take an early retirement under the provisions of the VERIP. Subject to eligibility criteria, the Plan provided an incentive of enhanced pension benefits of up to five years' pensionable service and waiver of actuarial reduction, if applicable, or a lump sum early retirement payment. The early retirement incentive is unfunded. Current year payments are funded on an annual basis from operations.

The significant actuarial assumptions used in measuring these benefits include the following:

| | 2014 | 2013 |
|---|---|---|
| Discount rate | | |
| Liability | **3.70%** | 3.25% |
| Expense | **3.25%** | 3.50% |

## Supplemental Retirement Income Plan (SRIP)

In May 1996, the Board of Regents approved a SRIP to provide benefits to employees of the University whose salaries exceed the Canada Revenue Agency maximum pensionable salary and whose defined benefit pension, therefore, exceeds the maximum benefit payable from the Plan.

The significant actuarial assumptions used in measuring these benefits include the following:

| | 2014 | 2013 |
|---|---|---|
| Discount rate | | |
| Liability | **4.40%** | 4.00% |
| Expense | **4.00%** | 4.10% |

The accrued liability and expense of these post-employment benefits are outlined in the tables below:

| [thousands of dollars] | 2014 | | | |
|---|---|---|---|---|
| | Employee Future Benefits | VERIP | SRIP | Total Liability |
| Post-employment benefits | 170,908 | 6,080 | 21,601 | 198,589 |
| Unamortized actuarial loss | (21,631) | - | (5,141) | (26,772) |
| **Total liability** | 149,277 | 6,080 | 16,460 | 171,817 |

| [thousands of dollars] | 2013 | | | |
|---|---|---|---|---|
| | Employee Future Benefits | VERIP | SRIP | Total Liability |
| Post-employment benefits | 163,744 | 6,394 | 20,476 | 190,614 |
| Unamortized actuarial loss | (26,302) | - | (5,970) | (32,272) |
| **Total liability** | 137,442 | 6,394 | 14,506 | 158,342 |

| [thousands of dollars] | 2014 | | | |
|---|---|---|---|---|
| | Employee Future Benefits | VERIP | SRIP | Total Liability |
| Current year benefit costs | 6,296 | - | 1,058 | 7,354 |
| Interest on accrued benefit obligations | 6,725 | 200 | 853 | 7,778 |
| Benefit payments | (3,764) | (514) | (436) | (4,714) |
| Amortized actuarial losses | 2,579 | - | 479 | 3,058 |
| **Total expense** | 11,836 | (314) | 1,954 | 13,476 |

| [thousands of dollars] | 2013 | | | |
|---|---|---|---|---|
| | Employee Future Benefits | VERIP | SRIP | Total Liability |
| Current year benefit costs | 5,885 | - | 871 | 6,756 |
| Interest on accrued benefit obligations | 6,299 | 221 | 703 | 7,223 |
| Benefit payments | (4,055) | (533) | (370) | (4,958) |
| Amortized actuarial losses | 2,070 | 120 | 263 | 2,453 |
| **Total expense** | 10,199 | (192) | 1,467 | 11,474 |

## 13. CONTINGINCIES

### Canadian University Reciprocal Insurance Exchange (CURIE)

The University participates in a self-insurance cooperative involving a contractual agreement to share the insurance, property and liability risks of member universities for a term of not less than five years.

In the event the premiums are not sufficient to cover claims settlements, the member universities would be subject to an assessment in proportion to their participation. For the year ended December 31, 2013, CURIE had a surplus of $15.4 million and a cumulative subscribers' equity of $71.3 million. The University's pro-rata share is approximately 3% on an ongoing basis.

## 14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

### Market risk

The University is exposed to market risk on its investments due to future fluctuations in market prices. This risk is managed by a Statement of Investment Policy and Objectives approved by the Board of Regents which includes investment policy provisions for an acceptable asset mix structure and quality constraints on fixed income instruments.

#### (a) Currency Risk

Currency risk relates to the University operating in different currencies and converting non-Canadian transactions at different points in time when adverse changes in foreign currency rates occur. The University minimizes foreign currency risk to protect the value of foreign cash flows, both committed and anticipated, by using foreign exchange contracts when market conditions are judged to be favorable. There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

[thousands of dollars]

| 2014 Foreign Currency Denominated Assets | Fair Values (CAD) | Impact of 1% Absolute Change in Exchange Rates on Net Assets |
|---|---|---|
| US Equity | 8,463 | 84.63 |
| Global Equity | 5,580 | 55.80 |

#### (b) Interest rate risk

The University's exposure to interest rate risk relates to its floating interest rate bank indebtedness which utilizes BA's. The University has managed this floating interest rate risk by entering into interest rate swap agreements with the RBC Royal Bank to offset the movement in the BA rates. Any change in BA rates will be offset by a corresponding change in the interest rate swap. The fair value of these interest rate swap agreements are recorded in the consolidated statement of financial position and the change in value is reflected in the consolidated statement of remeasurement gains.

### Credit risk

Credit risk is the risk of loss due to the failure of a counterparty to satisfy its obligations. The University is exposed to credit risk with respect to accounts receivable from students, governments and other clients as well as through its investments in fixed income and equity. Services are provided to a large number of students and entities, which minimizes the concentration of credit risk. The University routinely monitors the receivable balances and establishes an appropriate allowance for doubtful accounts based upon factors surrounding credit risk, historical trends, and other information. The University limits its exposure to credit loss on fixed income by investing in securities with high credit quality. To maximize the credit quality of its investments, the University performs ongoing credit evaluations based upon factors surrounding the credit risk of issuers, historical trends and other information. The fair value of debt securities includes consideration of the credit worthiness of the debt issuer. All transactions executed by the University in listed equities are settled upon delivery using approved brokers. The risk of default is considered minimal, as the delivery of those securities sold is made only when the broker has received payment. Payment is made on purchases only when the security is received by the broker. The trade will fail to consummate if either party fails to meet its obligation. The maximum risk of loss at March 31, 2014 is limited to the amounts as shown on the consolidated statement of financial position.

### Liquidity risk

The University is exposed to liquidity risk with respect to its contractual obligations and financial liabilities. This risk is managed by maintaining adequate cash and cash equivalents. The University believes that cash and cash equivalents on hand, future cash flows from government grants and student fees will be adequate to meet its financial obligations.

## 15. COMPARATIVE FIGURES

Certain figures from the prior period have been reclassified to conform to the presentation adopted for the current period.

Grant Thornton

# Consolidated Financial Statements

# Multi-Materials Stewardship Board

# March 31, 2014

# Statement of responsibility

The accompanying financial statements are the responsibility of the management of the Multi-Materials Stewardship Board (the "Board") and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

In carrying out its responsibilities, management maintains appropriate systems of internal and administrative controls designed to provide reasonable assurance that transactions are executed in accordance with proper authorization, that assets are properly accounted for and safeguarded, and that financial information produced is relevant and reliable.

The Audit Committee met with management and its external auditors to review a draft of the financial statements and to discuss any significant financial reporting or internal control matters prior to the approval of the finalized financial statements.

Grant Thornton LLP as the Board's appointed external auditors, have audited the financial statements. The auditors' report is addressed to the Directors of the Board and appears on the following page. Their opinion is based upon an examination conducted in accordance with Canadian generally accepted auditing standards, performing such tests and other procedures as they consider necessary to obtain reasonable assurance that the financial statements are free of material misstatement and present fairly the financial position and results of the Board in accordance with Canadian public sector accounting standards.

________________ Chair ________________ Director

# Independent auditors' report

Grant Thornton LLP
Suite 300
15 International Place
St. John's, NL
A1A 0L4

T +1 709 778 8800
F +1 709 722 7892
www.GrantThornton.ca

To the Directors of the

Multi-Materials Stewardship Board

We have audited the accompanying consolidated financial statements of the Multi-Materials Stewardship Board, which comprise the consolidated statement of financial position at March 31, 2014, and the consolidated statements of operations, remeasurement gains and losses, changes in accumulated surplus, changes in net financial assets and cash flows for the year then ended, and 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 the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's 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 the auditor's 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, the auditor considers internal control relevant to the Board'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 Board'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, these consolidated financial statements present fairly, in all material respects, the financial position of the Multi-Materials Stewardship Board as at March 31, 2014 and the results of its operations, net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Grant Thornton LLP

St. John's, Canada

June 20, 2014

Chartered Accountants

# Multi-Materials Stewardship Board

## Consolidated Statement of Financial Position

| March 31 | 2014 | 2013 |
|---|---|---|
| **Financial assets** | | |
| Cash and cash equivalents (Note 4) | **$ 13,305,992** | $ 12,254,400 |
| Receivables (Note 5) | **3,274,545** | 3,745,155 |
| Notes receivable at amortized cost of non-interest bearing notes, repayable over the next five years, utilizing an interest rate of prime plus 1% | **40,958** | 55,371 |
| Inventories for sale (Note 6) | **75,053** | 53,991 |
| Long term investments | **630,772** | 655,768 |
| | **17,327,320** | 16,764,685 |
| **Liabilities** | | |
| Payables and accruals | **1,475,811** | 1,532,461 |
| Grants payable | **836,906** | 1,509,238 |
| Accrued stockpile costs (Note 7) | **1,126,834** | 1,552,164 |
| Unearned revenue | **3,597,326** | 2,860,787 |
| Performance bonds payable | **633,994** | 617,189 |
| Accrued severance pay | **85,763** | 87,747 |
| | **7,756,634** | 8,159,586 |
| **Net financial assets** | **$ 9,570,686** | $ 8,605,099 |
| **Non-financial assets** | | |
| Prepaids | **$ 65,922** | $ 84,094 |
| Tangible capital assets (Page 19) | **1,007,715** | 734,960 |
| | **1,073,637** | 819,054 |
| **Accumulated surplus** (Note 8) | **$ 10,644,323** | $ 9,424,153 |

Commitments (Note 10)

On behalf of the Board

______________ Chairperson ______________ Director

See accompanying notes to the consolidated financial statements.

# Multi-Materials Stewardship Board

## Consolidated Statement of Operations

| Year Ended March 31 | **Actual 2014** | Budget 2014 | Actual 2013 |
|---|---|---|---|
| Revenue | | | |
| Gross revenue from deposits | **$ 24,364,719** | $ 23,932,619 | $ 24,312,183 |
| By-product revenue | **2,191,590** | 2,528,938 | 2,431,932 |
| Other revenue (Note 11) | **221,604** | - | 87,386 |
| Income from Organics program | **22** | - | 65 |
| Income from Household Hazardous Waste Program | **-** | 12,445 | 36,872 |
| | **26,777,935** | 26,474,002 | 26,868,438 |
| Cost of sales | | | |
| Deposits refunded | **8,436,039** | 8,752,806 | 8,680,105 |
| Green School Program | **751,596** | 800,930 | 752,335 |
| Handling fees | **7,151,961** | 6,997,893 | 7,181,174 |
| Regional processing | **1,509,452** | 1,848,566 | 1,640,156 |
| Freight and transportation | **3,946,078** | 3,795,369 | 4,121,303 |
| Depot fees | **381,206** | 397,200 | 387,000 |
| Quality assurance facilities | **69,968** | 53,400 | 89,095 |
| | **22,246,300** | 22,646,164 | 22,851,168 |
| Annual surplus before expenses and other activities | **4,531,635** | 3,827,838 | 4,017,270 |
| Expenses | | | |
| Administrative expenses (Page 20) | **2,906,304** | 3,176,513 | 3,205,269 |
| Grant disbursements | **510,872** | 724,700 | 1,541,001 |
| | **3,417,176** | 3,901,213 | 4,746,270 |
| Annual surplus (deficit) before other activities | **1,114,459** | (73,375) | (729,000) |
| Other activities | | | |
| Realized loss attributed to foreign exchanges | **(21,108)** | - | - |
| Interest and sundry income | **127,869** | 77,378 | 95,839 |
| Note receivable grant expense | **(1,050)** | - | - |
| | **105,711** | 77,378 | 95,839 |
| Annual surplus (deficit) | **$ 1,220,170** | $ 4,003 | $ (633,161) |

See accompanying notes to the consolidated financial statements.

# Multi-Materials Stewardship Board

## Consolidated Statement of Remeasurement Gains and Losses

| Year Ended March 31 | | **2014** | | 2013 |
|---|---|---|---|---|
| Accumulated remeasurement gains (losses), beginning of year | $ | **77,218** | $ | (8,521) |
| Unrealized gains attributed to foreign exchanges | | **-** | | 85,739 |
| Reversal of unrealized gains attributed to foreign exchanges | | **(77,218)** | | - |
| Accumulated remeasurement gains, end of year | **$** | **-** | $ | 77,218 |

See accompanying notes to the consolidated financial statements.

# Multi-Materials Stewardship Board
## Consolidated Statement of Changes in Accumulated Surplus

| Year Ended March 31 | **Actual 2014** | Budget 2014 | Actual 2013 |
|---|---|---|---|
| Accumulated surplus, beginning of year | **$ 9,424,153** | $ 9,424,153 | $ 9,971,575 |
| Annual surplus (deficit) | **1,220,170** | 4,003 | (633,161) |
| Remeasurement gains | **-** | - | 85,739 |
| Accumulated surplus, end of year | **$ 10,644,323** | $ 9,428,156 | $ 9,424,153 |

See accompanying notes to the consolidated financial statements.

# Multi-Materials Stewardship Board

## Consolidated Statement of Changes in Net Financial Assets

| Year Ended March 31 | Actual 2014 | Budget 2014 | Actual 2013 |
|---|---|---|---|
| Annual surplus (deficit) | **$ 1,120,170** | $ 4,003 | $ (633,161) |
| Acquisition of tangible capital assets | **(398,663)** | (1,123,000) | (172,125) |
| Amortization of tangible capital assets | **125,909** | 164,517 | 144,276 |
| Decrease in prepaids | **18,171** | - | 19,895 |
| Remeasurement gains | **-** | - | 85,739 |
| Increase (decrease) in net assets | **965,587** | (954,480) | (555,376) |
| Net financial assets, beginning of year | **8,605,099** | 8,605,099 | 9,160,475 |
| Net financial assets, end of year | **$ 9,570,686** | $ 7,650,619 | $ 8,605,099 |

See accompanying notes to the consolidated financial statements.

# Multi-Materials Stewardship Board

## Consolidated Statement of Cash Flows

| Year Ended March 31 | 2014 | 2013 |
|---|---|---|
| (Decrease) increase in cash and cash equivalents | | |
| **Operating** | | |
| Annual surplus (deficit) | **$ 1,220,170** | $ (633,161) |
| Amortization | **125,909** | 144,276 |
| Remeasument gains | **-** | 85,739 |
| | **1,346,079** | (403,146) |
| Change in non-cash items (Note 9) | **49,931** | (2,339,618) |
| Cash provided by (applied to) operating transactions | **1,396,010** | (2,742,764) |
| **Capital** | | |
| Cash used to acquire tangible capital assets | **(398,663)** | (172,125) |
| **Investing** | | |
| Decrease in notes receivable | **14,413** | 29,608 |
| Increase in long term investments | **25,011** | 381,437 |
| Cash provided by investing transactions | **39,424** | 411,045 |
| **Financing** | | |
| Increase (decrease) in performance bonds payable | **16,805** | (46,636) |
| Decrease in accrued severance pay | **(1,984)** | (10,988) |
| Cash provided by (applied to) financing transactions | **14,821** | (57,624) |
| Increase in cash and cash equivalents | **1,051,592** | (2,561,468) |
| Cash and cash equivalents, beginning of year | **12,254,400** | 14,815,868 |
| Cash and cash equivalents, end of year | **$ 13,305,992** | $ 12,254,400 |

See accompanying notes to the consolidated financial statements.

### 1. Nature of operations

The Multi-Materials Stewardship Board is a statutory corporation established pursuant to The Environmental Protection Act. This Board manages the Used Beverage Container Deposit Refund System, the Used Tire Recycling Program and the Newfoundland and Labrador Waste Management Trust Fund in the Province of Newfoundland and Labrador and is mandated to support and promote the protection, enhancement and wise use of the environment through waste management programs. The Board is a government organization and reports to the Minister of Environment and Conservation.

The Board is exempt from income taxes under Section 149(1)(d) of the Canadian Income Tax Act.

### 2. Basis of consolidation

These consolidated financial statements include the accounts of the Multi-Materials Stewardship Board and the Newfoundland and Labrador Waste Management Trust Fund.

The Multi-Materials Stewardship Board Newfoundland and Labrador Waste Management Trust Fund is a restricted fund, managed by the Board, and its accounts have been grouped in these financial statements for consolidation purposes. Separate audited financial statements have been issued for this Trust Fund, with an audit report date of June XX, 2014.

### 3. Summary of significant accounting policies

#### Basis of accounting

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles as recommended by the CPA Canada Public Sector Accounting Board (PSAB) and reflect the following significant accounting policies.

#### Use of estimates

In preparing the Board's financial statements in conformity with Canadian public sector accounting standards, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenues and expenses during the period. Items requiring the use of significant estimates include the accrual for deposits outstanding at year end, useful life of tangible capital assets, rates of amortization and impairment of long-lived assets, accrued stockpile costs, unearned revenue and accrued severance pay.

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. Summary of significant accounting policies** (cont'd.)

### Foreign currency transactions

Transactions denominated in foreign currencies are recorded in Canadian dollars at exchange rates in effect at the related transaction dates. Monetary assets and liabilities denominated in foreign currencies are adjusted to reflect exchange rates at the year end date. Exchange gains and losses arising on the translation of monetary assets and liabilities are included in the determination of income.

### Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and short term deposits with original maturities of three months or less. Cash and cash equivalents also include a balance of $3,154 and $1,006,389 (2013 - $3,154 and $1,034,332) in restricted cash related to the performance bonds payable and funds received for the Provincial Waste Management Strategy respectively.

### Long term investments

Long term investments include guaranteed investment certificates with original maturities greater than one year. At March 31, 2014, $630,772 (2013 - $613,996) of these investments are restricted to repay performance bonds at the end of the contracts if all conditions have been met by the parties involved.

### Inventories for sale

Inventories, which are comprised of aluminium beverage containers and PET beverage containers, are valued at the lower of cost and net realizable value. Inventory is costed based on net realizable value using current market prices.

### Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives generally extending beyond the current year and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the annual deficit, provides the change in net financial assets for the year.

### Tangible capital assets

Tangible capital assets are recorded at cost. Amortization is provided annually at rates calculated to write-off the assets over their estimated lives as follows:

| | |
|---|---|
| Used beverage equipment | 30%, declining balance |
| Office furniture and equipment | 20%, declining balance |
| Leasehold improvements | 5 years, straight line |
| Computer hardware | 30%, declining balance |
| MIDAS and MIS software | 10%, declining balance |
| Computer software | 30%, declining balance |
| Bags and tubs | 30%, declining balance |

**3. Summary of significant accounting policies** (cont'd.)

**Tangible capital assets** (cont'd.)

Included in the cost of computer hardware is $298,702 (2013 - $Nil) and included in the cost of MIDAS and MIS software is $68,720 (2013 - $Nil) of assets not being amortized because they were not available for use at March 31, 2014.

**Impairment of long-lived assets**

Long-lived assets are reviewed for impairment upon the occurrence of events or changes in circumstances indicating that the value of the assets may not be recoverable, as measured by comparing their net book value to the estimated undiscounted cash flows generated by their use. Impaired assets are recorded at fair value, determined principally using discounted future cash flows expected from their use and eventual disposition.

**Unearned revenue**

Unearned revenue consists of deposits on containers yet to be returned for redemption and recycling. The amount recorded by the Board as unearned revenue consists of sixty days of deposits received from distributors, adjusted by an estimated recovery rate of 63% (2013 - 65%).

Unearned revenue also includes funds received in relation to the Provincial Waste Management Strategy related to expenditures for strategic communications development, and the Green Depot Management Information System (MIS) related to customization, installation, training, licences and support for the system. The funding is recognized as revenue as the expenditures are incurred and repayable if not fully spent on the projects.

**Accrued severance pay**

Severance pay is accounted for on an accrual basis and is recognized when an employee joins the Board, and is calculated based upon years of service, current salary levels and assumptions with respect to retention. Severance pay is payable when the employee ceases employment with the Board and has achieved nine years of continual service.

**Revenue recognition**

Deposit revenue is recognized when remittances are collected plus an estimated accrual based on subsequent receipts, as well as historical data.

By-product revenue is recognized upon shipment and when all significant contractual obligations have been satisfied and collection is reasonably assured.

Income from the Household Hazardous Waste Program is recognized as the municipalities are invoiced and collection is reasonably assured.

Income from the Organic's Program is recognized once the compost bins are delivered and collection is reasonably assured.

Other income is recognized as earned.

**3. Summary of significant accounting policies** (cont'd.)

**Financial instruments**

The Board considers any contract creating a financial asset, liability or equity instrument as a financial instrument, except in certain limited circumstances. The Board accounts for the following as financial instruments:

- cash and cash equivalents;
- receivables;
- notes receivable;
- long term investments;
- payables and accruals;
- grants payable; and
- performance bond payable.

A financial asset or liability is recognized when the Board becomes party to contractual provisions of the instrument.

The Board initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument.

The Board subsequently measures its financial assets and financial liabilities at cost or amortized cost, except for derivatives and equity securities quoted in an active market, which are subsequently measured at fair value. Changes in fair value are recognized in annual deficit.

Financial assets measured at fair value include cash and cash equivalents and long term investments; financial assets measured at cost include receivables; and financial assets measured at amortized cost include notes receivable.

Financial liabilities measured at cost include payables and accruals, grants payable and performance bonds payable.

The Board removes financial liabilities, or a portion of, when the obligation is discharged, cancelled or expires.

Financial assets measured at cost are tested for impairment when there are indicators of impairment. Previously recognized impairment losses are reversed to the extent of the improvement provided the asset is not carried at an amount, at the date of the reversal, greater than the amount that would have been the carrying amount had no impairment loss been recognized previously. The amounts of any write-downs or reversals are recognized in net annual surplus.

| 4. **Cash and cash equivalents** | **2014** | 2013 |
|---|---|---|
| Cash and cash equivalents | **$ 12,299,603** | $ 11,216,914 |
| Restricted cash deposits | **1,006,389** | 1,037,486 |
| | **$ 13,305,992** | $ 12,254,400 |

| 5. **Receivables** | **March 31 2014** | March 31 2013 |
|---|---|---|
| Deposits | **$ 1,937,853** | $ 2,712,609 |
| Trade and other | **1,336,692** | 1,032,546 |
| | **$ 3,274,545** | $ 3,745,155 |

| 6. **Inventories for sale** | **2014** | 2013 |
|---|---|---|
| Aluminium beverage containers | **$ 51,168** | $ 37,946 |
| PET beverage containers | **23,885** | 16,045 |
| | **$ 75,053** | $ 53,991 |

### 7. Stockpile costs

In June 2004, the Board terminated its contract under the Used Tire Recycling Program with its previous contractor. Subsequent to this termination, the Board assumed responsibility for the Program and implemented a contingency plan for the storage of used tires. As of April 2010, growth of the stockpile was halted with ongoing generation of tires being shipped to Quebec. In February 2012, a contract commenced for the removal of the stockpile. As at March 31, 2014, management has estimated future stockpile removal costs to be $1,126,834 (2013 - $1,552,164), which has been accrued in the stockpile costs.

| 8. **Accumulated surplus** | **2014** | 2013 |
|---|---|---|
| Accumulated surplus from operations | **$ 10,644,323** | $ 9,346,935 |
| Accumulated remeasurement gains | **-** | 77,218 |
| | **$ 10,644,323** | $ 9,424,153 |

## 9. Supplemental cash flow information

| | 2014 | 2013 |
|---|---|---|
| Change in non-cash items | | |
| Receivables | **$ 470,610** | $ (892,380) |
| Inventories | **(21,062)** | 21,930 |
| Prepaids | **18,171** | 19,895 |
| Payables and accruals | **(56,668)** | (620,335) |
| Grants payable | **(672,331)** | (161,505) |
| Accrued stockpile costs | **(425,330)** | (1,596,057) |
| Unearned revenue | **736,541** | 888,834 |
| | **$ 49,931** | $ (2,339,618) |

## 10. Commitments

The Board is committed to minimum annual lease payments for property and equipment for the next four years as follows: 2015 - $212,500; 2016 - $197,810; 2017 - $173,968; and 2018 - $1,955.

The Board has entered into the following agreements:

(i) processing and transportation of beverage containers up to July, 2019;
(ii) collection of used tires in Labrador West area to April, 2015;
(iii) collection and transportation of used tires in the island portion of Newfoundland and Labrador and the Labrador Straits to February, 2018;
(iv) collection of used tires in Happy Valley-Goose Bay area to February, 2015;
(v) transportation of used tires collected in Labrador to February, 2015;
(vi) transportation and disposal of processed glass to March, 2015;
(vii) loading and transportation of stockpile tires to date of completion.

## 11. Other revenue

| | 2014 | 2013 |
|---|---|---|
| MIS fees from depots | **$ 191,104** | $ - |
| Provincial Waste Management Strategy | **28,500** | 87,386 |
| Waste audit | **2,000** | - |
| | **$ 221,604** | $ 87,386 |

### 12. Financial instruments

The Board's policy for managing significant risks includes policies, procedures and oversight designed to reduce the risks identified to an appropriate threshold. The Board of Directors is provided with timely and relevant reports on the management of significant risks. Significant risks managed by the Board include liquidity, credit and market risks.

**Risks and concentrations**

The Board is exposed to various risks through its financial instruments. The following analysis provides a measure of the Board's risk exposure and concentrations at March 31, 2014.

*Liquidity risk*

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Board is exposed to this risk mainly in respect of its payables and accruals. The Board reduces its exposure to liquidity risk by monitoring its cash flows and ensuring that it has sufficient cash available to meet its obligations and liabilities. In the opinion of management the liquidity risk exposure to the Board is low and not material.

There is no liquidity risk associated with the bonds payable as they are held in guaranteed investment certificates with a stated interest rate.

The aging of payables and accruals, grants payable, accrued stockpile costs accrued severance pay, is as follows:

| | **2014** | 2013 |
|---|---:|---:|
| 0-30 days | **$ 1,333,152** | $ 1,156,036 |
| 31-60 days | **190,503** | 282,466 |
| 61-90 days | **16,395** | 129,208 |
| Over 91 days | **1,787,392** | 2,663,233 |
| 1-5 years | **112,109** | 362,920 |
| > 5 years | **85,763** | 87,747 |
| Total | **$ 3,525,314** | $ 4,681,610 |

*Credit risk*

Credit risk is the risk of loss if a customer or counterparty cannot meet its contractual obligations. The carrying amount of financial assets represents the maximum credit exposure. The Board's credit risk is attributable to receivables. The accounts receivable represent a large number of small balances owed by its customers, and no one customer or group of customers represents a significant risk. Management reviews receivables on a case by case basis to determine if an allowance is necessary to reflect an impairment in collectability.

**12. Financial instruments** (cont'd.)

The aging of receivables is as follows:

| | 2014 | 2013 |
|---|---|---|
| 0-30 days | **$ 2,354,950** | **$ 2,341,775** |
| 31-60 days | **459,865** | **659,967** |
| 61-90 days | **24,562** | **145,660** |
| Over 91 days | **451,682** | **604,105** |
| Total | **$ 3,291,059** | **$ 3,751,507** |
| Allowance for doubtful accounts | **(16,514)** | **(6,352)** |
| Net receivables | **$ 3,274,545** | **$ 3,745,155** |

The aging of notes receivable is as follows:

| | 2014 | 2013 |
|---|---|---|
| < 1 year | **$ 26,471** | **$ 27,541** |
| 1 > 2 years | **8,359** | **21,629** |
| 2 > 3 years | **2,571** | **5,651** |
| > 3 years | **2,106** | **550** |
| > 4 years | **1,451** | **-** |
| Total | **$ 40,958** | **$ 55,371** |

*Market risk*

Market risk is the risk that the fair value of marketable securities or long-term investments will change as a result of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Board is mainly exposed to currency risk and other price risk.

*Other price risk*

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Board is exposed to other price risk through its sale of by-products.

The Board is exposed to concentration risk as all of its by-products are in a quoted active market.

### 12. Financial instruments (cont'd.)

The table below presents a sensitivity analysis for changes in market prices of aluminium and polyethylene terephthalate (PET) and the impact on by-product revenue:

| | 2014 | | 2013 | |
|---|---|---|---|---|
| | Aluminium | PET | Aluminium | PET |
| -0.10% | **$ 1,267,122** | **$ 686,288** | $ 1,300,440 | $ 768,985 |
| -0.05% | **1,337,518** | **724,415** | 1,372,687 | 811,706 |
| Market Price at March 31st | **1,407,914** | **762,542** | 1,444,934 | 854,428 |
| +0.05% | **1,478,309** | **800,669** | 1,517,180 | 897,149 |
| +0.10% | **1,548,705** | **838,796** | 1,569,427 | 939,870 |

### 13. Employee future benefits

The Board participates in the Government of Newfoundland and Labrador's Government Money Purchase Plan (GMPP) which is a defined contribution pension plan. The plan is mandatory for all employees, with the exception of the CEO, from date of employment. Employees contribute 5% of regular earnings and the Board matches these contributions. Contributions made prior to January 1, 1997 are fully vested and locked-in after the completion of 10 years of continuous service and has attained the age 45 or after the completion of 5 years of plan participation. Contributions made on or after January 1, 1997 are fully vested and locked-in after the completion of 2 years of plan participation. Contributions paid and expensed by the Board during the year totaled $53,569 (2013 - $57,303).

The CEO participates in the Government of Newfoundland's Public Service Pension Plan which is a defined benefit plan. The plan is mandatory for all full time employees of the Government of Newfoundland and Labrador from the date of employment. Employee and employer contributions are at an amount equal to 6.8% of the salary; normal retirement age under the plan is 65; and the amount of pension is based on 2% of the average of the best five years pensionable salary multiplied by the years and months of credited pensionable service. Contributions paid and expensed by the Board during the year totaled $Nil (2013 - $12,647). Additional information about the plan surplus or deficit is not available.

# Multi-Materials Stewardship Board

## Consolidated Schedule of Tangible Capital Assets

Year Ended March 31, 2013

| | Used Beverage Equipment | Office Furniture & Equipment | Leasehold Improvements | Computer Hardware | Computer Software | MIDAS and MIS Software | Bags and Tubs | **2014** | 2013 |
|---|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | | |
| Cost, beginning of year | $ 168,454 | $ 150,080 | $ 8,913 | $ 136,380 | $ 325,570 | $ 445,488 | $ 469,501 | **$ 1,704,386** | $ 1,532,260 |
| Additions during the year | 2,319 | - | - | 318,628 | - | 68,720 | 8,996 | **398,663** | 172,125 |
| Disposals during the year | - | - | - | - | - | - | - | **-** | - |
| Cost, end of year | $ 170,773 | $ 150,080 | $ 8,913 | $ 455,008 | $ 325,570 | $ 514,208 | $ 478,497 | **$ 2,103,049** | $ 1,704,385 |
| **Accumulated Amortization** | | | | | | | | | |
| Accumulated amortization, beginning of year | $ 126,911 | $ 97,218 | $ 6,223 | $ 89,191 | $ 232,389 | $ 41,522 | $ 375,971 | **$ 969,425** | $ 835,149 |
| Amortization | 11,347 | 9,877 | 491 | 14,301 | 24,522 | 38,853 | 26,518 | **125,909** | 144,276 |
| Reversal of accumulated amortization relating to disposals | - | - | - | - | - | - | - | **-** | - |
| Accumulated amortization, end of year | 138,258 | 107,095 | 6,714 | 103,492 | 256,911 | 80,375 | 402,489 | **1,095,334** | 969,425 |
| Net book value of tangible capital assets | $ 32,515 | $ 42,985 | $ 2,199 | $ 351,516 | $ 68,659 | $ 433,833 | $ 76,008 | **$ 1,007,715** | $ 734,960 |

# Multi-Materials Stewardship Board

## Consolidated Schedule of Administrative Expenses

| Year Ended March 31 | 2014 | 2013 |
|---|---|---|
| Advertising | $ 408 | $ 12,501 |
| Amortization | 125,909 | 144,274 |
| Business development | 12,954 | 52,439 |
| Directors' remuneration | 17,631 | 19,215 |
| Dues, licences and education | 2,514 | 14,592 |
| Equipment rental and support | 73,703 | 70,630 |
| Insurance | 7,323 | 8,719 |
| Interest and bank charges | 6,729 | 4,457 |
| Marketing and communications | 520,758 | 376,461 |
| Meetings and entertainment | 11,783 | 18,480 |
| Miscellaneous | 13,379 | 11,626 |
| Professional fees | 134,493 | 173,029 |
| Rent | 140,074 | 138,691 |
| Repairs and maintenance | - | 400 |
| Software support | 12,239 | 52,374 |
| Stationery and office supplies | 26,211 | 38,443 |
| Strategic communications development | 28,500 | 87,386 |
| Supplies | 23,797 | 20,931 |
| Telecommunications | 33,475 | 33,962 |
| Travel - Board and staff | 88,583 | 109,357 |
| Vehicle operating | 25,639 | 25,799 |
| Wages and benefits | 1,600,202 | 1,791,503 |
| | $ 2,897,383 | $ 3,205,269 |

# MUNICIPAL ASSESSMENT AGENCY INC.

## FINANCIAL STATEMENTS
**Year ended March 31, 2014**

# *JOHN F. MORGAN*

*Chartered Accountant*
*6 Lambe's Lane*
*St. John's, NL A1B 4E9*
*Office: (709) 576-6776*
*Fax: (709) 576-6777*


## INDEPENDENT AUDITOR'S REPORT

I have audited the accompanying financial statements for Municipal Assessment Agency Inc., which comprise the balance sheet as at March 31, 2014, and the statement of revenues, expenses and equity, and statement of changes in financial position for the year then ended, and a summary of significant accounting policies and other explanatory information.

**Management's Responsibility for the Financial Statements**
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Public Sector Accounting Standards and for such internal control as management determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**
My responsibility is to express an opinion on these financial statements based on my audit. I conducted my 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the 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 presentation of the financial statements.

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

**Opinion**
In my opinion, the financial statements present fairly, in all material respects, the financial position of Municipal Assessment Agency Inc. as at March 31, 2014, and its financial performance and its cash flows for the year then ended in accordance with Public Sector Accounting Standards.

J.F. Morgan

CHARTERED ACCOUNTANT

St. John's, Newfoundland
June 5, 2014

# MUNICIPAL ASSESSMENT AGENCY INC.

## BALANCE SHEET
## AS AT MARCH 31, 2014

### ASSETS

| | 2014 | 2013 |
|---|---|---|
| **CURRENT ASSETS:** | | |
| Cash | $1,412,776 | $1,508,272 |
| Accounts receivable (note 2) | 136,288 | 113,823 |
| Current portion of long term receivables (note 3) | 14,349 | 11,366 |
| Prepaid expenses | 108,742 | 105,347 |
| | 1,672,155 | 1,738,808 |
| Long term receivables (note 3) | - | 6,783 |
| Severance reserve fund (note 4) | 871,403 | 925,749 |
| Capital assets (note 5) | 1,439,205 | 1,563,505 |
| | $3,982,763 | $4,234,845 |

### LIABILITIES AND SHAREHOLDER'S EQUITY

| | | |
|---|---|---|
| **CURRENT LIABILITIES:** | | |
| Accounts payable and accrued liabilities | $ 248,236 | $ 317,486 |
| Accrued vacation pay (note 6) | 300,082 | 310,271 |
| | 548,318 | 627,757 |
| Accrued severance pay (note 6) | 871,403 | 925,749 |
| | 1,419,721 | 1,553,506 |

### SHAREHOLDER'S EQUITY

| | | |
|---|---|---|
| **CAPITAL:** | | |
| Authorized and issued | | |
| 1 Common share | 1 | 1 |
| Equity from operations | 2,563,041 | 2,681,338 |
| | 2,563,042 | 2,681,339 |
| | $3,982,763 | $4,234,845 |

Commitments and contingencies (note 6 and note 7)

On behalf of the board:

# MUNICIPAL ASSESSMENT AGENCY INC.

## STATEMENT OF REVENUES, EXPENSES AND EQUITY
## FOR THE YEAR ENDED MARCH 31, 2014

| | 2014 | 2013 |
|---|---|---|
| **REVENUES:** | | |
| Assessment services | $5,516,921 | $5,584,233 |
| Valuation revenue | 32,869 | 43,977 |
| Interest revenue | 23,902 | 22,738 |
| Municipal training | 3,360 | 1,986 |
| | 5,577,052 | 5,652,934 |
| **EXPENSES:** | | |
| Salaries | 3,521,445 | 3,335,749 |
| Benefits | 655,389 | 613,010 |
| Travel | 334,102 | 335,326 |
| Information technology | 250,487 | 285,967 |
| Postage and courier | 153,304 | 133,906 |
| Professional fees | 159,802 | 117,422 |
| Premises and equipment lease | 90,355 | 87,402 |
| Printing | 60,374 | 70,956 |
| Telephone | 57,672 | 58,295 |
| Repairs and maintenance | 55,423 | 51,093 |
| Office supplies | 55,247 | 44,893 |
| Utilities | 28,740 | 27,796 |
| Advertising and public relations | 22,512 | 30,630 |
| Insurance | 20,153 | 20,227 |
| Exchange gain/loss | 11,915 | 2,515 |
| Payroll processing | 5,094 | 4,763 |
| Bank charges | 1,746 | 3,153 |
| Meetings and events | - | 889 |
| | 5,483,760 | 5,223,992 |
| Excess of revenues over expenses before the following: | 93,292 | 428,942 |
| Provision for severance and vacation pay (note 6) | 16,862 | 63,993 |
| Amortization of capital assets | 197,835 | 185,440 |
| Loss on disposal of capital assets | - | 18,022 |
| Bad debt expense (recovery) | (3,108) | (6,944) |
| Excess of revenues over expenses | (118,297) | 168,431 |
| Equity from operations, beginning of year | 2,681,338 | 2,512,907 |
| **EQUITY FROM OPERATIONS, END OF YEAR** | $2,563,041 | $2,681,338 |

Commitments and contingencies (note 6 and note 7)

# MUNICIPAL ASSESSMENT AGENCY INC.

## STATEMENT OF CHANGES IN FINANCIAL POSITION
## FOR THE YEAR ENDED MARCH 31, 2014

| | 2014 | 2013 |
|---|---|---|
| **OPERATING ACTIVITIES:** | | |
| Excess of revenues over expenses | $ (118,297) | $ 168,431 |
| Items not affecting cash: | | |
| Amortization of capital assets | 197,835 | 185,440 |
| Decrease in long-term receivable | 3,800 | 11,240 |
| Decrease in severance pay accrual | (54,346) | (34,335) |
| Decrease in vacation pay accrual | (10,189) | 32,901 |
| Loss on disposition of capital assets | - | 18,022 |
| Net change in non-cash working capital balance | (95,110) | 156,958 |
| **CASH PROVIDED BY OPERATING ACTIVITIES** | (76,307) | 538,657 |
| **INVESTING ACTIVITIES:** | | |
| Purchase of capital assets | (73,535) | (344,966) |
| **CASH USED IN INVESTING ACTIVITIES** | (73,535) | (344,966) |
| Increase (decrease) in cash position | (149,842) | 193,691 |
| Cash position, beginning of year | 2,434,021 | 2,240,330 |
| **CASH POSITION, END OF YEAR** | $2,284,179 | $2,434,021 |

| | 2014 | 2013 |
|---|---|---|
| **Cash is represented by:** | | |
| Operating cash | $1,412,776 | $1,508,272 |
| Severance reserve fund | 871,403 | 925,749 |
| | $2,284,179 | $2,434,021 |

Commitments and contingencies (note 6 and note 7)

## NOTES TO FINANCIAL STATEMENTS
## FOR THE YEAR ENDED MARCH 31, 2014

**General:**

The Municipal Assessment Agency Inc. (the "Agency") was incorporated April 2, 1997, under the laws of the Province of Newfoundland and Labrador to carry out assessment services for various municipalities throughout the Province of Newfoundland and Labrador pursuant to the Assessment Act. Prior to this date, these services were performed by the Department of Municipal and Intergovernmental Affairs, Government of Newfoundland and Labrador (the "Department").

The Agency has one common share with a par value of $1.00 issued to the Minister of Municipal and Intergovernmental Affairs, Government of Newfoundland and Labrador.

The Agency is a crown corporation and, accordingly, is exempt from income taxes under Subsection 149(1)(d) of the Income Tax Act.

1. **Summary of significant accounting policies:**

The financial statements of the Agency have been prepared within the framework of Public Sector Accounting Standards which require the use of estimates and assumptions that affect the amounts reported and disclosed in these statements and related notes. Any variations between these estimates and actual amounts are not expected to materially affect reported results. The more significant accounting policies of the Agency are as follows:

(a) <u>Capital assets</u>

Capital assets purchased by the Agency are recorded at cost. Amortization is recorded on a declining balance basis over the assets estimated useful lives at the following rates:

| | |
|---|---|
| Furniture and equipment | 20% |
| Computer hardware and software | 30% |
| Integrated assessment system | 30% |
| Buildings | 4% |

(b) <u>Revenue recognition</u>

Revenue for the provision of assessment and valuation services is recognized when the services are rendered.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2014

1. **Summary of significant accounting policies (continued):**

(c) Accrued severance pay

Severance pay is accounted for on an accrued basis and is calculated based upon years of service and current salary levels. The right to be paid severance pay vests with employees with nine years of continued service and accrues to a maximum of twenty years and, accordingly, no provision has been made in the accounts for employees with less than nine years of continued service. The amount is payable when the employee ceases employment with the Agency. The cash amount of the accrued severance pay is segregated into a severance reserve fund.

(d) Redundancy pay

Redundancy pay is recognized as a liability when it is probable that employees will be entitled to benefits and the amount can be reasonably estimated.

(e) Financial Instruments

The company initially measures its financial assets and financial liabilities at fair value. It subsequently measures all its financial assets and financial liabilities at cost or amortized cost.

Financial assets measured at amortized cost on a straight-line basis include cash and accounts receivable.

Financial liabilities measured at amortized cost on a straight-line basis include accounts payable.

2. **Accounts receivable:**

| | 2014 | 2013 |
|---|---|---|
| Trade receivables | $ 81,845 | $ 39,081 |
| HST recoverable | 49,130 | 72,984 |
| Employee receivable | 5,313 | 1,758 |
| | $ 136,288 | $ 113,823 |

3. **Long term receivables:**

The Agency has entered into a contract with several of its customers to receive payment on the outstanding amounts over a period of 48 months, provided all future fees are paid on a current basis.

## NOTES TO FINANCIAL STATEMENTS
## FOR THE YEAR ENDED MARCH 31, 2014

### 4. Severance reserve fund:

The Agency has internally restricted funds for the accrued severance pay liability. These funds are to be used to pay any accrued severance and not to be used in normal business operations. The restricted funds are held in the Agency's operating account that bears interest.

### 5. Capital assets:

| | 2014 | | | 2013 |
|---|---|---|---|---|
| | Cost | Accumulated Amortization | Net Book Value | Net Book Value |
| Computer hardware and software | $ 410,338 | $ 384,396 | $ 25,942 | $ 37,061 |
| Furniture and equipment | 223,118 | 183,524 | 39,594 | 32,008 |
| Integrated assessment system | 1,759,453 | 1,390,815 | 368,638 | 456,205 |
| Buildings | 1,028,653 | 231,843 | 796,810 | 830,010 |
| Land | 208,221 | - | 208,221 | 208,221 |
| | $3,629,783 | $2,190,578 | $1,439,205 | $1,563,505 |

### 6. Severance and vacation pay:

The provision for severance and vacation pay consists of the following:

| **Severance pay** | 2014 | 2013 |
|---|---|---|
| Opening balance | $ 925,749 | $ 960,084 |
| Severance paid out | (67,883) | (59,605) |
| Current year expense | 13,537 | 25,270 |
| Closing balance | $ 871,403 | $ 925,749 |

| **Vacation pay** | 2014 | 2013 |
|---|---|---|
| Opening balance | $ 310,271 | $ 277,370 |
| Current year expense | 3,325 | 38,723 |
| Vacation paid out | (13,514) | (5,822) |
| Closing balance | $ 300,082 | $ 310,271 |

## NOTES TO FINANCIAL STATEMENTS
## FOR THE YEAR ENDED MARCH 31, 2014

### 7. Commitments and Contingencies:

The Agency has a lease for office space in Corner Brook, Newfoundland and Labrador. The term of the lease is 5 years, starting October 1, 2012 and ending on September 30, 2017, with the option to renew for a further term of up to 5 years. The monthly rental fee is $4,174. Future minimum lease payments total $175,308 and include the following payments over the next 4 years: 2014 - $37,566, 2015 - $50,088, 2016 - $50,088, 2017 – 37,566.

The Agency has a lease for office space in Clarenville, Newfoundland and Labrador. The term of the lease is 5 years, starting May 1, 2013 and ending on April 30, 2018. The monthly rental fee is $450. Future minimum lease payments total $22,050 and include the following payments over the next 5 years: 2014 - $4,050, 2015 – $5,400, 2016 – $5,400, 2017 - $5,400, 2018 - $1,800.

The Agency has a lease for office space in Grand Falls-Windsor, Newfoundland and Labrador. The term of the lease is 3 years, starting February 1, 2014 and ending on January 31, 2017. The monthly rental fee is $764. Future minimum lease payments total $25,976 and include the following payments over the next 4 years: 2014 - $6,876, 2015 - $9,168, 2016 - $9,168, 2017 - $764.

The Agency has a lease for office space in Deer Lake, Newfoundland and Labrador. The term of the lease is 3 years, starting July 1, 2012 and ending on June 30, 2015. The monthly rental fee is $425. Future minimum lease payments total $6,375 and include the following payments over the next 2 years: 2014 - $3,825, 2015 - $2,550.

The Agency has a lease for office space in Stephenville, Newfoundland and Labrador. The term of the lease is 3 years, starting September 1, 2013 and ending on August 31, 2016. The monthly rental fee is $398. Future minimum lease payments total $11,542 and include the following payments over the next 3 years: 2014 - $3,582, 2015 - $4,776, 2016 - $3,184.

The Agency has prepared property valuations which are subject to litigation to which the Agency has been included as a third party defendant. These claims could be considered to be in the normal course of the Agency's activities. Neither the possible outcome nor the amount of possible settlement can be foreseen. Therefore, no provision has been made in the financial statements.