Province of
Newfoundland and Labrador

Financial Statements of Crown Corporations, Boards and Authorities (N - Z)

FOR THE YEAR ENDED
31 MARCH 2015

Province of Newfoundland and Labrador

Financial Statements of Crown Corporations, Boards and Authorities (N – Z)

For The Year Ended 31 March 2015

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, 2015. 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 2014-15 fiscal year may be found in the following financial reports:

Public Accounts Consolidated Summary Financial Statements

This document 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.

Consolidated Revenue Fund Financial Information

This document 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/public_accounts/index.html

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This report includes the most recent fiscal year financial statements (current or one prior year), up to March 31, 2015, those 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 the inclusion in this report:

Consumer Protection Fund for Prepaid Funeral Services (2014 & 2015)
Discovery Health Care Foundation Inc. (2014 & 2015)
Dr. H. Bliss Murphy Cancer Care Foundation (2014 & 2015)
Egg Farmers of Newfoundland and Labrador (2013 & 2014)
House of Assembly (2014 & 2015)
Janeway Children's Hospital Foundation (2014 & 2015)
Labrador School Board Trust Fund (2013 & 2014)
Labrador-Grenfell Regional Health Authority (2014)
Newfoundland and Labrador Education Foundation Inc. (2013)
Newfoundland and Labrador Farm Products (2014 & 2015)
Newfoundland and Labrador Legal Aid Commission (2014)
Newfoundland International Student Education Program Inc. (2014)
Supreme Court of Newfoundland & Labrador (2014)
The Burin Peninsula Health Care Foundation Inc. (2014 & 2015)
Trinity-Conception-Placentia Health Foundation Inc. (2014 & 2015)

NALCOR ENERGY
CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2014

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Independent Auditor's Report

To the Lieutenant-Governor in Council, Province of Newfoundland and Labrador

We have audited the accompanying consolidated financial statements of Nalcor Energy, which comprise the consolidated statements of financial position as at December 31, 2014, December 31, 2013 and January 1, 2013, and the consolidated statements of profit and comprehensive income, changes in equity and cash flows for the years ended December 31, 2014 and December 31, 2013, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 audits 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.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Nalcor Energy as at December 31, 2014, December 31, 2013 and January 1, 2013, and its financial performance and its cash flows for the years ended December 31, 2014 and December 31, 2013, in accordance with International Financial Reporting Standards.

Deloitte LLP

Chartered Professional Accountants
March 18, 2015

NALCOR ENERGY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at (millions of Canadian dollars)	Notes	**December 31 2014**	December 31 2013	January 1 2013
ASSETS				(Note 31)
Current assets				(Note 33)
Cash and cash equivalents	5	**60.8**	93.7	11.9
Restricted cash	5	**1,130.6**	525.5	-
Short-term investments		**34.4**	1.0	11.0
Trade and other receivables	6	**249.2**	149.8	124.7
Inventories	7	**97.1**	75.2	62.0
Current portion of sinking funds	11	**1.5**	65.4	-
Prepayments		**16.4**	11.6	5.6
Derivative assets	25	**11.8**	0.2	0.1
Total current assets		**1,601.8**	922.4	215.3
Non-current assets				
Property, plant and equipment	8	**5,676.8**	3,742.6	2,802.4
Intangible assets	9	**12.9**	-	-
Investment property		**1.0**	1.1	1.1
Other long-term assets	11	**353.5**	314.7	354.5
Investment in joint arrangement		**1.5**	1.1	0.7
Long-term investments	12	**2,871.4**	4,477.4	-
Total assets		**10,518.9**	9,459.3	3,374.0
Regulatory deferrals	10	**124.2**	64.4	65.1
Total assets and regulatory deferrals		**10,643.1**	9,523.7	3,439.1
LIABILITIES AND EQUITY				
Current liabilities				
Short-term borrowings	14	**53.0**	41.0	125.0
Trade and other payables	13	**672.1**	411.7	181.0
Current portion of long-term debt	14	**8.4**	82.2	8.2
Derivative liabilities	25	**1.6**	1.5	-
Current portion of other liabilities	16,17,18	**5.3**	6.0	8.5
Total current liabilities		**740.4**	542.4	322.7
Non-current liabilities				
Long-term debt	14	**6,240.5**	6,047.9	1,125.9
Class B limited partnership units	15	**79.4**	73.0	-
Deferred credits	16	**333.1**	93.5	45.0
Deferred contributions	17	**15.0**	10.7	9.9
Decommissioning liabilities	18	**42.1**	33.0	31.9
Long-term payables	19	**74.0**	78.3	82.4
Employee benefits liability	20	**144.5**	118.5	119.9
Total liabilities		**7,669.0**	6,997.3	1,737.7
Shareholder's equity				
Share capital	21	**122.5**	122.5	122.5
Shareholder contributions	21	**1,469.1**	1,141.8	435.8
Reserves		**(15.8)**	(27.1)	(2.0)
Retained earnings		**1,146.2**	1,030.6	942.9
Total equity		**2,722.0**	2,267.8	1,499.2
Total liabilities and equity		**10,391.0**	9,265.1	3,236.9
Regulatory deferrals	10	**252.1**	258.6	202.2
Total liabilities, equity and regulatory deferrals		**10,643.1**	9,523.7	3,439.1

See accompanying notes

Commitments and Contingencies (Note 27)
Subsequent events (Note 32)

On behalf of the Board:

DIRECTOR

DIRECTOR

NALCOR ENERGY

CONSOLIDATED STATEMENTS OF PROFIT AND COMPREHENSIVE INCOME

For the year ended December 31 (millions of Canadian dollars)	Notes	**2014**	2013
Energy sales	22	**755.6**	755.3
Other revenue	22	**40.5**	29.6
Revenue		**796.1**	784.9
Fuels		**(268.1)**	(190.9)
Power purchased		**(68.3)**	(63.0)
Operating costs	23	**(247.5)**	(212.0)
Depreciation and depletion	8	**(92.7)**	(89.9)
Exploration and evaluation expense		**(1.2)**	(7.4)
Net finance income and expense	24	**(72.0)**	(73.8)
Other income and expense		**2.6**	(3.5)
Share of profit of joint arrangement		**0.4**	0.4
Profit, before regulatory adjustments		**49.3**	144.8
Regulatory adjustments	10	**66.3**	(57.1)
Profit for the year		**115.6**	87.7
Other comprehensive income (loss) for the year		**11.3**	(25.1)
Total comprehensive income for the year		**126.9**	62.6

See accompanying notes

NALCOR ENERGY
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(millions of Canadian dollars)	Notes	Share Capital	Shareholder Contributions	Fair Value Reserve	Employee Benefit Reserve	Retained Earnings	Total
Balance at January 1, 2014		**122.5**	**1,141.8**	**11.3**	**(38.4)**	**1,030.6**	**2,267.8**
Profit for the year		**-**	**-**	**-**	**-**	**115.6**	**115.6**
Other comprehensive income							
Net change in fair value of available-for-sale financial instruments		**-**	**-**	**32.1**	**-**	**-**	**32.1**
Actuarial loss on employee benefit liability	**20**	**-**	**-**	**-**	**(17.9)**	**-**	**(17.9)**
Net change in fair value of cash flow hedge		**-**	**-**	**8.2**	**-**	**-**	**8.2**
Net change in fair value of financial instruments reclassified to profit or loss		**-**	**-**	**(11.1)**	**-**	**-**	**(11.1)**
Total comprehensive income (loss) for the year		**-**	**-**	**29.2**	**(17.9)**	**115.6**	**126.9**
Capital contributions	**21**	**-**	**327.3**	**-**	**-**	**-**	**327.3**
Balance at December 31, 2014		**122.5**	**1,469.1**	**40.5**	**(56.3)**	**1,146.2**	**2,722.0**
Balance at January 1, 2013		122.5	435.8	44.3	(46.3)	942.9	1,499.2
Profit for the year		-	-	-	-	87.7	87.7
Other comprehensive income							
Net change in fair value of available-for-sale financial instruments		-	-	(5.0)	-	-	(5.0)
Actuarial gain on employee benefit liability	20	-	-	-	7.9	-	7.9
Net change in fair value of cash flow hedge		-	-	(12.3)	-	-	(12.3)
Net change in fair value of financial instruments reclassified to profit or loss		-	-	(15.7)	-	-	(15.7)
Total comprehensive (loss) income for the year		-	-	(33.0)	7.9	87.7	62.6
Capital contributions	21	-	706.0	-	-	-	706.0
Balance at December 31, 2013		122.5	1,141.8	11.3	(38.4)	1,030.6	2,267.8

See accompanying notes

NALCOR ENERGY

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the year ended December 31 (millions of Canadian dollars)	Notes	**2014**	2013
Cash provided from (used in)			
Operating activities			
Profit for the year		**115.6**	87.7
Adjusted for items not involving a cash flow:			
Depreciation and depletion	8	**92.7**	89.9
Accretion	24	**5.4**	5.6
Amortization of deferred contributions	17	**(0.7)**	(0.7)
Employee benefits	20	**8.1**	6.5
Regulatory adjustments	10	**(66.3)**	57.1
Change in fair value of cash flow hedges		**-**	(12.3)
Gain on disposal of property, plant and equipment		**(0.6)**	(1.4)
Share of profit of joint arrangement		**(0.4)**	(0.4)
Other		**(2.9)**	1.6
		150.9	233.6
Changes in non-cash working capital balances	29	**128.9**	176.8
Net cash provided from operating activities		**279.8**	410.4
Investing activities			
Additions to property, plant and equipment		**(1,777.2)**	(985.4)
Additions to intangible assets	9	**(12.9)**	-
Increase in other long-term assets		**(20.8)**	(15.9)
(Increase) decrease in short-term investments		**(33.4)**	10.0
Decrease (increase) in sinking funds		**102.0**	(27.0)
Withdrawal of reserve fund	11	**16.4**	-
Decrease (increase) in long-term investments	12	**1,606.0**	(4,477.4)
Proceeds on disposal of property, plant and equipment		**3.3**	8.6
Net cash used in investing activities		**(116.6)**	(5,487.1)
Financing activities			
Issuance of long-term debt	14	**197.1**	5,001.3
Retirement of long-term debt	14	**(124.7)**	-
Increase in restricted cash		**(605.1)**	(525.5)
Issuance of Class B limited partnership units	15	**-**	67.7
Increase (decrease) in short-term borrowings		**12.0**	(84.0)
Decrease in long-term payable		**(8.1)**	(8.0)
Increase in contributed capital	21	**327.3**	706.0
Increase in deferred contributions	17	**5.2**	1.9
Increase (decrease) in deferred credits		**0.2**	(0.9)
Net cash (used in) provided from financing activities		**(196.1)**	5,158.5
Net (decrease) increase in cash and cash equivalents		**(32.9)**	81.8
Cash and cash equivalents, beginning of year		**93.7**	11.9
Cash and cash equivalents, end of year		**60.8**	93.7

Supplementary cash flow information (Note 29)

See accompanying notes

1. DESCRIPTION OF BUSINESS

Nalcor Energy (Nalcor or the Company) is incorporated under a special act of the Legislature of the Province of Newfoundland and Labrador (the Province) as a Crown corporation and its business includes the development, generation and sale of electricity, oil and gas, industrial fabrication and energy marketing. Nalcor's head office is located in St. John's, Newfoundland and Labrador.

1.1 Subsidiaries

Nalcor holds interests in the following subsidiaries:

A 100.0% interest in Newfoundland and Labrador Hydro (Hydro) whose principal activity is the generation, transmission and sale of electricity. Hydro's operations include both regulated and non-regulated activities.

A 100.0% interest in Nalcor Energy – Oil and Gas Inc. (Oil and Gas), a company with a broad mandate to engage in upstream and downstream sectors of the oil and gas industry including exploration, development, production, transportation and processing.

A 100.0% interest in Nalcor Energy – Bull Arm Fabrication Inc. (Bull Arm Fabrication), an industrial fabrication site with a fully integrated infrastructure to support large-scale fabrication and assembly. Its facilities include onshore fabrication halls and shops, a dry-dock and a deep water site.

A 100.0% interest in Muskrat Falls Corporation (Muskrat Falls), created to develop, construct, finance and operate the Muskrat Falls plant, an 824 megawatt (MW) hydroelectric generating facility in Labrador.

A 100.0% interest in Labrador Transmission Corporation (Transco), created to develop, construct, finance and operate transmission assets connecting the Muskrat Falls plant to the existing hydroelectric generating facility in Churchill Falls.

A limited partnership interest in Labrador-Island Link Limited Partnership (LIL LP), created to develop, construct, finance and operate the assets and property constituting the Labrador-Island Link (LIL), a transmission link to be constructed between the Muskrat Falls plant and the Newfoundland and Labrador Island Interconnected System. Labrador-Island Link Holding Corporation (LIL Holdco) holds 100.0% of the Class A limited partnership units.

A 100.0% interest in Labrador-Island Link General Partner Corporation (LIL GP) and LIL Holdco, created to control, manage and hold Nalcor's 65.0% interest in LIL LP.

A 100.0% interest in Labrador-Island Link Operating Corporation (LIL Opco), created to operate and maintain the LIL.

A 100.0% interest in Lower Churchill Management Corporation (LCMC), created to carry out the project development and management functions for Phase 1 of the Lower Churchill Project including planning, engineering and design management, construction management, risk management, finance, procurement and supply chain management.

A 100.0% interest in Nalcor Energy Marketing Corporation (Energy Marketing), a subsidiary established to market Nalcor's energy throughout North America. Energy Marketing was incorporated on March 24, 2014 and is expected to become fully operational on April 1, 2015.

Nalcor also holds a 100.0% interest in Gull Island Power Corporation (GIPCo) and a 51.0% interest in Lower Churchill Development Corporation (LCDC), both inactive.

1.2 Investment in Joint Arrangements

Nalcor holds a 65.8% beneficial interest (through Hydro) in Churchill Falls (Labrador) Corporation Limited (Churchill Falls), a joint operation that owns and operates a hydroelectric generating plant and related transmission facilities situated in Labrador with a rated capacity of 5,428 MW.

Nalcor also holds a 33.3% beneficial interest (through Churchill Falls) in Twin Falls Power Corporation (Twin Falls), a 225 MW hydroelectric generating plant on the Unknown River in Labrador. The plant has been inoperative since 1974.

1.3 Variable Interest Entities

Nalcor consolidates the results of variable interest entities (VIEs) in which it holds a financial interest and is the primary beneficiary. Nalcor has determined that it is the primary beneficiary of the LIL Construction Project Trust (Project Trust) and as a result has included the financial statements of the Project Trust in these annual audited consolidated financial statements. Nalcor has determined that it is not the primary beneficiary of the Muskrat Falls/Labrador Transmission Assets (MF/LTA) Funding Trust or the Labrador-Island Link (LIL) Funding Trust and therefore the operations of these trusts are not reflected in these annual audited consolidated financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of Compliance and Basis of Measurement

These annual audited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). Nalcor adopted International Financial Reporting Standards as of January 1, 2014, with the date of transition effective January 1, 2013. Nalcor has adopted accounting policies which are based on the IFRS applicable as at December 31, 2014, and includes individual IFRS, IAS, and interpretations made by the IFRS Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC). Upon adoption, Nalcor followed the requirements of IFRS 1 - First time adoption of IFRS (IFRS 1) in its application of IFRS as disclosed in Note 31.

Previously, the annual audited consolidated financial statements of Nalcor were prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP). An explanation of how the transition to IFRS has affected the Company’s financial position, financial performance and cash flows is provided in Note 31.

These annual audited consolidated financial statements have been prepared on a historical cost basis, except for financial assets ‘at fair value through profit or loss’ (at FVTPL), financial instruments used for hedging and ‘available-for-sale’ (AFS) financial assets which have been measured at fair value. The annual audited consolidated financial statements are presented in Canadian Dollars and all values rounded to the nearest million, except when otherwise noted. The annual audited consolidated financial statements were approved by the Board of Directors of Nalcor (the Board) on March 13, 2015.

2.2 Basis of Consolidation

The annual audited consolidated financial statements include the financial statements of Nalcor, its subsidiary companies and its share of investments in joint arrangements. In addition, the financial statements of all variable interest entities for which Nalcor has been determined the primary beneficiary are included in these annual audited consolidated financial statements. Intercompany transactions and balances have been eliminated upon consolidation.

Effective June 18, 1999, Hydro, Churchill Falls, and Hydro-Québec entered into a Shareholders' Agreement which provided, among other matters, that certain of the strategic operating, financing and investing policies of Churchill Falls be subject to approval jointly by representatives of Hydro and Hydro-Québec on the Board of Directors of Churchill Falls.

Although Hydro holds a 65.8% ownership interest, the agreement changed the nature of the relationship between Hydro and Hydro-Québec, with respect to Churchill Falls, from that of majority and minority shareholders, respectively, to that of a joint operation. Accordingly, Hydro has recognized its share of assets, liabilities and profit or loss in relation to its interest in Churchill Falls subsequent to the effective date of the Shareholders' Agreement.

Churchill Falls holds 33.3% of the equity share capital of Twin Falls. This investment is accounted for using the equity method.

Substantially all of Oil and Gas' activities are conducted jointly with others and accordingly these annual audited consolidated financial statements reflect only Nalcor's proportionate interest in such activities.

2.3 Cash and Cash Equivalents and Short-term Investments

Cash and cash equivalents consist of amounts on deposit with a Canadian Schedule 1 Chartered bank, as well as highly liquid short-term investments with original maturities of three months or less at acquisition. Short-term investments with original maturities greater than three months and less than twelve months at acquisition are classified as short-term investments. The effective interest rate on these investments at December 31, 2014 ranged from 1.20% to 1.28% (2013 – 1.12% to 1.33%) per annum. Cash and cash equivalents are measured at cost which approximates fair value while short-term investments are measured at fair value.

2.4 Trade and Other Receivables

Trade and other receivables are classified as 'loans and receivables' and are measured at amortized cost using the effective interest method.

2.5 Inventories

Inventories are carried at the lower of cost and net realizable value. Cost is determined on a weighted average basis and includes expenditures incurred in acquiring the inventories and bringing them to their existing condition and location. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

2.6 Property, Plant and Equipment

Items of property, plant and equipment are recognized using the cost model and thus are recorded at cost less accumulated depreciation and accumulated impairment losses. Cost includes materials, labour, contracted services, professional fees and, for qualifying assets, borrowing costs capitalized in accordance with Nalcor's accounting policy as per Note 2.10. Costs capitalized with the related asset include all those costs directly attributable to bringing the asset into operation. When significant parts of property, plant and equipment are required to be replaced at intervals, Nalcor recognizes such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred. Property, plant and equipment are not revalued for financial reporting purposes. Depreciation of these assets commences when the assets are ready for their intended use.

Hydro

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Generation plant	
Hydroelectric	45 to 100 years
Thermal	35 to 65 years
Diesel	25 to 55 years
Transmission	
Lines	30 to 60 years
Terminal stations	40 to 55 years
Distribution system	30 to 65 years
Other assets	5 to 55 years

Hydroelectric generation plant includes the powerhouse, turbines, governors and generators, as well as water conveying and control structures, including dams, dikes, tailrace, penstock and intake structures. Thermal generation plant is comprised of the powerhouse, turbines and generators, boilers, oil storage tanks, stacks, and auxiliary systems. Diesel generation plant includes the buildings, engines, generators, switchgear, fuel storage and transfer systems, dikes and liners and cooling systems.

Transmission lines include the support structures, foundations and insulators associated with lines at voltages of 230, 138 and 69 kilovolt (kV). Terminal stations assets are used to step up voltages of electricity and to step down voltages for distribution. Distribution system assets include poles, transformers, insulators, and conductors.

Other assets include telecontrol, computer software, buildings, vehicles, furniture, tools and equipment which are carried at cost less accumulated amortization.

Churchill Falls

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Hydroelectric generation plant	45 to 100 years
Transmission and terminals	30 to 65 years
Service facilities and other	5 to 45 years

Hydro and Churchill Falls assets' residual values, useful lives and method of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate. The carrying value of property, plant and equipment is reviewed for impairment whenever events indicate that the carrying amounts of those assets may not be recoverable.

Oil and Gas

(i) Development and Production Costs

Items of property, plant and equipment, which include petroleum and natural gas development and production assets, are carried at cost less accumulated depreciation and depletion. Development and production assets are grouped into cash-generating units (CGUs) for impairment testing.

Expenditures on the construction, installation or completion of infrastructure facilities such as processing facilities and the drilling of development wells, including unsuccessful development or delineation wells, are capitalized within property, plant and equipment, as long as it is technically feasible and economically viable to extract identified reserves.

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of the decommissioning costs and, for qualifying assets, borrowing costs. The purchase price or constructed cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

Capitalized petroleum and natural gas interests generally represent costs incurred in developing proved and/or probable reserves and bringing in or enhancing production from such reserves, and are accumulated on a field or geotechnical area basis.

Gains and losses on disposal of an item of property, plant and equipment, including petroleum and natural gas interests, are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recorded in other income and expense.

(ii) <u>Subsequent Costs</u>
Costs incurred subsequent to the determination of technical feasibility and commercial viability are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to Nalcor and the cost can be measured reliably. The carrying amount of a replaced asset is derecognized when replaced. Routine repairs and maintenance costs are charged to profit or loss during the period in which they are incurred.

(iii) <u>Depletion</u>
The net carrying value of development and production assets is depleted using the unit of production method by reference to the ratio of production in the year to the related proved and probable reserves, and considering estimated future development costs necessary to bring those reserves into production. Future development costs are estimated taking into account the level of development required to produce the reserves. These estimates are reviewed by independent reserve engineers at least annually.

Proved and probable reserves are estimated using independent reserve engineer reports and represent the estimated quantities of crude oil, natural gas and natural gas liquids which geological, geophysical and engineering data demonstrate, with a specified degree of certainty, to be recoverable in future years from known reservoirs and which are considered commercially viable. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved plus probable reserves.

Such reserves may be considered commercially producible if management has the intention of developing and producing them and such intention is based upon:

- a reasonable assessment of the future economics of such production;
- a reasonable expectation that there is a market for all or substantially all the expected petroleum and natural gas production; and
- evidence that the necessary production, transmission and transportation facilities are available or can be made available.

<u>Lower Churchill Project</u>
Since the assets associated with the Lower Churchill Project are under construction, there is no depreciation expensed until the assets are ready for use.

2.7 Intangible Assets
Intangible assets that are expected to generate future economic benefit and are measurable, including costs of technical services, studies and seismic acquisition are capitalized as intangible assets in accordance with IAS 38.

Intangible assets with finite useful lives are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives are carried at cost less accumulated impairment losses.

2.8 Exploration and Evaluation Assets

Pre-license exploration and evaluation costs are recognized in profit or loss as incurred. Costs of exploring for and evaluating licensed petroleum and gas properties are capitalized and the resulting intangible exploration and evaluation assets are tested for impairment in accordance with IFRS 6 and IAS 36.

Exploration and evaluation costs related to each license/prospect are initially capitalized with "Exploration and Evaluation Assets". Such exploration and evaluation costs may include costs of license acquisition, technical services and studies, exploration drilling and testing, directly attributable overhead and administrative expenses and the projected costs of retiring the assets. General prospecting or evaluation costs incurred prior to having obtained the legal rights to explore an area are expensed directly to profit or loss as they are incurred.

Exploration and evaluation assets are not depleted and are carried forward until technical feasibility and commercial viability of extracting an oil resource is considered to be determined. The technical feasibility and commercial viability of extracting a mineral resource is considered to be determined when proved reserves are determined to exist. A review of each exploration license or field is carried out, at least annually, to ascertain whether proved reserves have been discovered.

Upon determination of proved reserves, exploration and evaluation assets attributable to those reserves are first tested for impairment and then reclassified from exploration and evaluation assets to property, plant and equipment.

2.9 Investment Property

Investment property is property held for the purpose of generating rental income or capital appreciation, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. As at December 31, 2014, investment property included the Bull Arm Fabrication site and facilities.

Investment property is recognized using the cost model and thus is recorded at cost less accumulated depreciation and accumulated impairment losses. Cost includes materials, labour, contracted services, professional fees and, for qualifying assets, borrowing costs capitalized in accordance with Nalcor's accounting policy. Costs capitalized with the related asset include all those costs directly attributable to bringing the asset into operation. When significant parts of investment property are required to be replaced at intervals, Nalcor recognizes such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the investment property as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred. Investment property is not revalued for financial reporting purposes. Depreciation of these assets commences when the assets are ready for their intended use.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Computer equipment, vehicles and office equipment	5 years
Buildings	18 years
Topsides module hall door	26 years
Visitor center	42 years

The assets' residual values, useful lives and method of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate. The carrying value of investment property is reviewed for impairment whenever events indicate that the carrying amounts of those assets may not be recoverable.

2.10 Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

2.11 Impairment of Non-Financial Assets

At the end of each reporting period, Nalcor reviews the carrying amounts of its non-financial assets, except for exploration and evaluation assets, to determine whether there is any indication that those assets may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Exploration and evaluation assets are assessed for impairment when they are reclassified to property, plant and equipment and also if there are indicators that suggest that the carrying amount exceeds the recoverable amount.

Where it is not possible to estimate the recoverable amount of an individual asset, Nalcor estimates the recoverable amount of the CGU to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified. The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. Value in use is generally computed by reference to the present value of future cash flows expected to be derived from non-financial assets.

Exploration and evaluation assets are allocated to the CGUs on a project basis when they are assessed for impairment, both at the time of any triggering facts and circumstances as well as upon their reclassification to property, plant and equipment.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or cash generating unit is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

2.12 Investments in Joint Arrangements

A joint arrangement is an arrangement of which two or more parties have joint control. Control exists when Nalcor has the power, directly or indirectly, to govern the financial and operating policies of another entity, so as to obtain benefits from its activities. A joint arrangement is either a joint operation or a joint venture.

Effective June 18, 1999, Hydro, Churchill Falls and Hydro-Québec entered into a shareholders' agreement which provided, among other matters, that certain of the strategic operating, financing and investing policies of Churchill Falls be subject to approval jointly by Hydro and Hydro-Québec representatives on the Board of Directors of Churchill Falls. Although Hydro holds a 65.8% ownership interest, the agreement changed the nature of the relationship between Hydro and Hydro-Québec, with respect to Churchill Falls, from that of majority and minority shareholders, respectively, to that of joint operators. Hydro accounts for this investment by recognizing its share of assets, liabilities and profit or loss in relation to its interest in the joint operation.

Hydro's joint operation, Churchill Falls, holds 33.33% of the equity share capital of Twin Falls and is a party with other shareholders in a participation agreement which gives Churchill Falls joint control of Twin Falls. This investment is accounted for using the equity method. Under the equity method, the interest in the joint venture is carried in the Statements of Financial Position at cost plus post acquisition changes in Churchill Falls' share of net assets of the joint venture. The Statements of Profit and Comprehensive Income reflect the share of the profit or loss of the joint venture.

2.13 Employee Benefits Liability

(i) Pension Plan
Employees participate in the Province's Public Service Pension Plan, a multi-employer defined benefit plan. Contributions by Nalcor to this plan are recognized as an expense when employees have rendered service entitling them to the contributions.

(ii) Other Benefits
Nalcor provides group life insurance and health care benefits on a cost-shared basis to retired employees, in addition to a severance payment upon retirement.

The cost of providing these benefits is determined using the projected unit credit method, with actuarial valuations being completed every three years and extrapolated at the end of each reporting period based on service and management's best estimate of salary escalation, retirement ages of employees and expected health care costs.

Actuarial gains and losses on Nalcor's defined benefit obligation are recognized in reserves in the period in which they occur. Past service costs are recognized in operating costs as incurred.

The retirement benefit obligation recognized in the Statements of Financial Position represents the present value of the defined benefit obligation.

2.14 Provisions

A provision is a liability of uncertain timing or amount. A provision is recognized if Nalcor has a present legal obligation or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognized for future operating losses. The provision is measured at the present value of the best estimate of the expenditures expected to be required to settle the obligation using a discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. Provisions are re-measured at each Statements of Financial Position date using the current discount rate.

2.15 Decommissioning, Restoration and Environmental Liabilities

Legal and constructive obligations associated with the retirement of property, plant and equipment are recorded as liabilities when those obligations are incurred and are measured as the present value of the expected costs to settle the liability, discounted at a rate specific to the liability. The liability is accreted up to the date the liability will be incurred with a corresponding charge to net finance and income expense. The carrying amount of decommissioning, restoration and environmental liabilities is reviewed annually with changes in the estimates of timing or amount of cash flows added to or deducted from the cost of the related asset.

2.16 Revenue Recognition

Electricity Sales
Revenue from the sale of energy is recognized when Nalcor has transferred the significant risks and rewards of ownership to the buyer; recovery of the consideration is probable; and the amount of revenue can be reliably measured. Sales within the Province are primarily at rates approved by the Newfoundland and Labrador Board of Commissioners of Public Utilities (PUB), whereas export sales and sales to certain major industrial customers are either at rates under the terms of the applicable contracts, or at market rates.

Churchill Falls provides energy to three primary customers: Hydro-Québec, Hydro and Twin Falls.

A power contract with Hydro-Québec dated May 12, 1969 (the Power Contract) provides for the sale of a significant amount of the energy from Churchill Falls. The Power Contract has a 40-year term ending in 2016, which is followed by a Renewed Power Contract with Hydro-Québec for an additional 25 years. The rate is predetermined in the Power Contract and is presently 2.5426 mills per kWh. The rate during the term of the Renewed Power Contract is 2.0 mills per kWh.

Churchill Falls also recognizes revenue from Hydro-Québec under a Guaranteed Winter Availability Contract (GWAC) through 2041. The GWAC was signed with Hydro-Québec in 1998 and provides for the sale of 682 MW of guaranteed seasonal availability to Hydro-Québec during the months of November through March in each of the remaining years until 2041.

The value of differences between energy delivered and the Annual Energy Base (AEB), as defined in the Power Contract, is tracked over a four-year period and then either recovered from or refunded to Hydro-Québec over the subsequent four-year period, unless the balance is less than $1.0 million in which case it is recovered or refunded immediately. These long-term receivables or long-term payables are subject to interest at 7% per annum (2013 - 7%).

Under the Power Contract and Renewed Power Contract, Churchill Falls has the right to recall 300 MW (Recall Power). All of the Recall Power is sold by Churchill Falls to Hydro. Churchill Falls also provides 225 MW to Twin Falls.

<u>Oil Sales</u>
Revenue from the sale of crude oil is recognized when the amount of revenue can be reasonably measured, the significant risks and rewards of ownership have passed, Nalcor retains no continuing managerial involvement or control and collection is reasonably assured.

Revenue from properties in which Nalcor has an interest with other producers is recognized on the basis of Nalcor's net working interest of petroleum and natural gas produced. Under this method, crude oil produced below or above Nalcor's net working interest results in an under-lift or over-lift position. Under-lift or over-lift positions are measured at market value and recorded as an asset or liability respectively.

<u>Lease Revenue</u>
Lease revenue is recognized when services have been rendered, recovery of the consideration is probable, and the amount of revenue can be reliably measured.

<u>Other Revenue</u>
Revenue associated with the sale of geoscience data is recognized when the terms and conditions governing sales have been met, the amount of revenue can be reliably measured and recovery of the consideration is probable.

2.17 Net Finance Income and Expense
For all financial instruments measured at amortized cost and interest bearing financial assets classified as AFS, 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.

2.18 Foreign Currencies
Transactions in currencies other than Nalcor's functional currency (foreign currencies) are recognized using the prior month end close rate. At the end of each reporting period, monetary items denominated in foreign currencies are translated at the rates of exchange in effect at the period end date. Those foreign exchange gains and losses not included in regulatory deferrals are recorded in income as net finance income and expense.

2.19 Income Taxes
Nalcor is exempt from paying income taxes under Section 149(1) (d) of the Income Tax Act.

2.20 Financial Instruments

Financial assets and financial liabilities are recognized in the Consolidated Statements of Financial Position when Nalcor becomes a party to the contractual provisions of the instrument and are initially measured at fair value. Subsequent measurement is based on classification. Financial instruments are classified into the following specified categories: financial assets at FVTPL, AFS financial assets, 'loans and receivables', held-to-maturity investments, financial liabilities at FVTPL, financial instruments used for hedging and other financial liabilities. The classification depends on the nature and purpose of the financial instruments and is determined at the time of initial recognition.

Classification of Financial Instruments

Nalcor has classified each of its financial instruments into the following categories: financial assets at FVTPL, loans and receivables, AFS financial assets, held-to-maturity investments, financial instruments used for hedging and other financial liabilities.

Cash and cash equivalents	Loans and receivables
Short-term investments	AFS financial assets
Trade and other receivables	Loans and receivables
Derivative instruments	At FVTPL and financial instruments used for hedging
Sinking funds – investments in same Hydro issue	Held-to-maturity investments
Sinking funds – other investments	AFS financial assets
Long-term receivables	Loans and receivables
Trade and other payables	Other financial liabilities
Short-term borrowings	Other financial liabilities
Long-term debt	Other financial liabilities
Long-term payables	Other financial liabilities

(i) Effective Interest Method

The effective interest method is a method of calculating the amortized cost of a financial instrument and allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Income or expense is recognized on an effective interest basis for financial instruments other than those financial assets and liabilities classified as at FVTPL.

Financial Assets

(ii) Financial Assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that Nalcor manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with Nalcor's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognized in other income and expense. The net gain or loss incorporates any dividends or interest earned.

(iii) Loans and receivables

Trade receivables, loans and other receivables with fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

(iv) Held-to-Maturity Investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity dates that Nalcor has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are measured at amortized cost using the effective interest method less any impairment, with revenue recognized on an effective yield basis.

(v) AFS Financial Assets

AFS financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the previous categories. Gains and losses arising from changes in fair value are recognized in other comprehensive income and accumulated in the fair value reserve with the exception of impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognized in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified to profit or loss.

Financial Liabilities and Equity Instruments

(vi) Classification as Debt or Equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement and the definitions of a financial liability and equity instrument.

(vii) Financial Liabilities at FVTPL

A financial liability may be classified as at FVTPL if the contracted liability contains one or more embedded derivatives, and if the embedded derivative significantly modified the cash flows or if the embedded derivative is not closely related to the host liability. Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising from re-measurement recognized in profit or loss.

(viii) Other Financial Liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

(ix) Derivative Instruments and Financial Instruments Used for Hedging

Derivative instruments are utilized by Nalcor to manage risk. Nalcor's policy is not to utilize derivative instruments for speculative purposes. Derivatives are initially measured at fair value at the date the derivative contracts are entered into and are subsequently measured at their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging relationship.

Nalcor may choose to designate derivative instruments as hedges and apply hedge accounting if there is a high degree of correlation between the price movements in the derivative instruments and the hedged items. Nalcor formally documents all hedges and the related risk management objectives at the inception of the hedge. Derivative instruments that have been designated and qualify for hedge accounting are classified as either cash flow or fair value hedges.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

<u>Fair Value Hedges</u>
The change in the fair value of an interest rate hedging derivative is recognized in the Statements of Profit and Comprehensive Income in net finance income and expense. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognized in the Statements of Profit and Comprehensive Income in net finance income and expense.

For fair value hedges relating to items carried at amortized cost, the adjustment to carrying value is amortized through the Statements of Profit and Comprehensive Income over the remaining term to maturity. Effective interest rate amortization may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

<u>Cash Flow Hedges</u>
The effective portion of the gain or loss on the hedging instrument is recognized directly in Other Comprehensive Income, while any ineffective portion is recognized immediately in profit or loss for the period.

Amounts recognized as Other Comprehensive Income are transferred to profit or loss for the period 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 occurs.

2.21 Derecognition of Financial Instruments

Nalcor derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If Nalcor neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, its retained interest in the asset and any associated liability for amounts it may have to pay is recognized. If Nalcor retains substantially all the risks and rewards of ownership of a transferred financial asset, it continues to recognize the financial asset and also recognizes the collateralized borrowing for the proceeds received. Nalcor derecognizes financial liabilities when, and only when, its obligations are discharged, cancelled or they expire.

2.22 Impairment of Financial Assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- the borrower, more probable than not, entering into bankruptcy or financial re-organization.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include Nalcor's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with defaults on receivables.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

2.23 Government Grants

Government grants are recognized when there is reasonable assurance that Nalcor will comply with the associated conditions and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which Nalcor recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that Nalcor should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue in the Statements of Financial Position and transferred to the Statements of Profit and Comprehensive Income on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to Nalcor with no future related costs are recognized in the Statements of Profit and Comprehensive Income in the period in which they become receivable.

2.24 Regulatory Deferrals

Hydro's revenues from its electrical sales to most customers within the Province are subject to rate regulation by the PUB. Hydro's borrowing and capital expenditure programs are also subject to review and approval by the PUB. Rates are set through periodic general rate applications utilizing a cost of service (COS) methodology. The allowed rate of return on rate base is 7.4% (2013 - 7.4%) +/- 15 basis points. Hydro applies various accounting policies that differ from enterprises that do not operate in a rate regulated environment. Generally, these policies result in the deferral and amortization of costs or credits which are expected to be recovered or refunded in future rates. In the absence of rate regulation, these amounts would be included in the determination of profit or loss in the year the amounts are incurred. The effects of rate regulation on the annual audited consolidated financial statements are disclosed in Note 10.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the annual audited consolidated financial statements in conformity with IFRS requires Management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ materially from these estimates, including changes as a result of future decisions made by the PUB. The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is reviewed if the revision affects only that period or future periods.

3.1 Use of Estimates

(i) Property, Plant and Equipment

Amounts recorded for depreciation are based on the useful lives of Nalcor's assets. The useful lives of property, plant and equipment are determined by independent specialists and reviewed annually by Nalcor. These useful lives are Management's best estimate of the service lives of these assets. Changes to these lives could materially affect the amount of depreciation recorded.

(ii) Oil and Natural Gas Reserves

Oil and natural gas reserves are evaluated by independent reserve engineers. Reserve estimates are used in calculating depletion, impairment and decommissioning liabilities. Estimates of recoverable reserves are based upon variable factors and assumptions regarding historical production, production rates, ultimate reserve recovery, marketability of petroleum and natural gas, and timing and amount of future cash expenditures. Changes to these amounts could materially affect these calculations.

(iii) Decommissioning Liabilities

Nalcor recognizes a liability for the fair value of the future expenditures required to settle obligations associated with the retirement of property, plant and equipment. Decommissioning liabilities are recorded as a liability at fair value, with a corresponding increase to property, plant and equipment. Accretion of decommissioning liabilities is included in profit or loss through net finance income and expense. Differences between the recorded decommissioning liabilities and the actual decommissioning costs incurred are recorded as a gain or loss in the settlement period.

(iv) Employee Benefits

Nalcor provides group life insurance and health care benefits on a cost-shared basis to retired employees, in addition to a severance payment upon retirement. The expected cost of providing these other employee benefits is accounted for on an accrual basis, and has been actuarially determined using the projected unit credit method prorated on service, and Management's best estimate of salary escalation, retirement ages of employees and expected health care costs.

(v) Revenue

In the absence of a signed agreement with Hydro-Québec relating to the Annual Energy Base (AEB), Churchill

Falls continues to apply the terms of the previous agreement which expired August 31, 2012. Management continues to work to negotiate terms of a new agreement.

3.2 Use of Judgment

(i) Property, Plant and Equipment
Nalcor's accounting policy relating to property, plant and equipment is described in Note 2.6. In applying this policy, judgment is used in determining whether certain costs are additions to the carrying amount of the property, plant and equipment as opposed to repairs and maintenance. If an asset has been developed, judgment is required to identify the point at which the asset is capable of being used as intended and to identify the directly attributable borrowing costs to be included in the carrying value of the development asset. Judgment is also used in determining the appropriate componentization structure for Nalcor's property, plant and equipment.

(ii) Revenue
Management exercises judgment in estimating the value of electricity consumed by retail customers in the period, but billed subsequent to the end of the reporting period. Specifically, this involves an estimate of consumption for each retail customer, based on the customer's past consumption history.

When recognizing deferrals and related amortization of costs or credits in Hydro Regulated, Management assumes that such costs or credits will be recovered or refunded through customer rates in future years. Recovery of some of these deferrals are subject to a future PUB order. As such, there is a risk that some or all of the regulatory deferrals will not be approved by the PUB which could have a material impact on Hydro Regulated's net income in the year the order is received.

(iii) Functional currency
Functional currency was determined by evaluating the primary economic environment in which Nalcor operates. As Nalcor enters into transactions in multiple currencies, judgment is used in determining the functional currency. Management considered factors regarding currency of sales, costs incurred, and operating and financing activities and determined the functional currency to be Canadian Dollars.

(iv) Consolidation
Management applies its judgment when determining whether to consolidate structured entities in accordance with the criteria outlined in IFRS 10. Management has determined that the Company should not consolidate the Funding Trust.

4. FUTURE CHANGES IN ACCOUNTING POLICIES

Nalcor has not applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 9	Financial Instruments[1]
IFRS 15	Revenue from Contracts with Customers[2]
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations[3]
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation andAmortization[3]
Amendments to IAS 19	Defined Benefit Plans: Employee Contributions[4]

[1]Effective for annual periods beginning on or after January 1, 2018, with earlier application permitted.
[2]Effective for annual periods beginning on or after January 1, 2017, with earlier application permitted.
[3]Effective for annual periods beginning on or after January 1, 2016, with earlier application permitted.
[4]Effective for annual periods beginning on or after July 1, 2014, with earlier application permitted.

4.1 IFRS 9 – Financial Instruments

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include:

a) impairment requirements for financial assets; and
b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key Requirements of IFRS 9:

- All recognized financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortized cost or fair value. Specifically, debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt instruments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributed to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

Management anticipates that the application of IFRS 9 in the future may have a material impact on the amounts reported and disclosures made in the Company's annual audited consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until Management performs a detailed review.

4.2 IFRS 15 Revenue from Contracts with Customers

In May 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a five-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer.
Step 2: Identify the performance obligations in the contract.
Step 3: Determine the transaction price.
Step 4: Allocate the transaction price to the performance obligations in the contract.
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognizes revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

Management anticipates that the application of IFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Company's annual audited consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until Management performs a detailed review.

4.3 Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations

The amendments to IFRS 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in IFRS 3 Business Combinations. Specifically, the amendments state that the relevant principles on accounting for business combinations IFRS 3 and other standards (i.e. IAS 36 Impairment of Assets regarding impairment testing of a cash-generating unit to which goodwill on acquisition of a joint operation has been allocated) should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation.

A joint operation is also required to disclose the relevant information required by IFRS 3 and other standards for business combinations.

Management does not anticipate that the application of these amendments to IFRS 11 will have a material impact on the Company's annual audited consolidated financial statements.

4.4 Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortization

The amendments to IAS 16 prohibit entities from using revenue-based depreciation methods for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortization of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

a) When the intangible asset is expressed as a measure of revenue, or
b) When it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after January 1, 2016. Currently, the Company uses the straight-line methods for depreciation and amortization of its property, plant and equipment, and intangible assets respectively.

Management believes that the straight-line method is the most appropriate method to reflect the consumption of economic benefit inherent in the respective assets and accordingly does not anticipate that the application of these amendments to IAS 16 and IAS 38 will have a material impact on the Company's annual audited consolidated financial statements.

4.5 Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

The amendments to IAS 19 clarify how an entity should account for contributions made by employees or third parties to defined benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee.

For contributions that are independent of the number of years of service, the entity may either recognize the contributions as a reduction in the service cost in the period in which the related service is rendered, or attribute them to the employees' periods of service using the projected unit credit method, whereas for contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees' periods of service.

Management does not anticipate that the application of these amendments to IAS 19 will have a material impact on the Company's annual audited consolidated financial statements.

5. CASH, CASH EQUIVALENTS AND RESTRICTED CASH

(millions of Canadian dollars)	**December 31 2014**	December 31 2013	January 1 2013
Cash	**55.9**	87.1	11.9
Cash equivalents	**4.9**	6.6	-
	60.8	93.7	11.9

Restricted cash is held in accounts administered by a Collateral Agent for the sole purpose of funding construction costs related to Phase 1 of the Lower Churchill Project. The Company draws funds from this account on a monthly basis in accordance with procedures set out in the LIL Project Finance Agreement and the MF/LTA Project Finance Agreement.

6. TRADE AND OTHER RECEIVABLES

The composition of trade and other receivables is as follows:

(millions of Canadian dollars)	**December 31 2014**	December 31 2013	January 1 2013
Trade receivables	**123.5**	129.3	125.5
Allowance for doubtful accounts	**(11.4)**	(9.6)	(9.3)
Due from related parties	**2.9**	2.5	1.6
Advances	**74.5**	-	-
Other receivables	**59.7**	27.6	6.9
	249.2	149.8	124.7

The following is an aged analysis of receivables, net of allowance for doubtful accounts:

(millions of Canadian dollars)	**December 31 2014**	December 31 2013	January 1 2013
0-60 days	**173.3**	146.5	122.7
60+ days	**75.9**	3.3	2.0
	249.2	149.8	124.7

A reconciliation of the beginning and ending amount of allowance for doubtful accounts is as follows:

(millions of Canadian dollars)	**December 31 2014**	December 31 2013
Allowance for doubtful accounts at beginning of year	**(9.6)**	(9.3)
Amounts provided for during the year	**(1.9)**	(0.4)
Amounts written off as uncollectable	**0.1**	0.1
Allowance for doubtful accounts at end of year	**(11.4)**	(9.6)

7. INVENTORIES

(millions of Canadian dollars)	**December 31 2014**	December 31 2013	January 1 2013
Number 6 fuel	**49.4**	30.8	20.6
Material and other	**36.9**	35.0	32.4
Diesel fuel	**4.4**	4.2	4.0
Other fuel	**4.1**	2.7	2.4
Construction aggregates	**2.3**	2.5	2.6
	97.1	75.2	62.0

The cost of inventories recognized as an expense during the year is $275.3 million (2013 - $196.3 million).

8. PROPERTY, PLANT AND EQUIPMENT

(millions of Canadian dollars)	Generation Plant	Transmission and Distribution	Petroleum and Natural Gas Properties	Other	Construction in Progress	Total
Cost						
Balance at January 1, 2013	1,425.5	610.2	405.6	175.9	659.6	3,276.8
Additions	-	-	188.0	0.1	849.3	1,037.4
Disposals	(7.0)	(1.6)	-	(1.5)	-	(10.1)
Transfers	60.5	54.2	-	25.4	(140.1)	-
Decommissioning liabilities and revisions	(2.0)	(0.6)	2.6	-	-	-
Other adjustments	0.2	0.1	-	-	-	0.3
Balance at December 31, 2013	**1,477.2**	**662.3**	**596.2**	**199.9**	**1,368.8**	**4,304.4**
Additions	**0.4**	**-**	**237.5**	**-**	**1,784.0**	**2,021.9**
Disposals	**(2.1)**	**(1.8)**	**-**	**(1.3)**	**-**	**(5.2)**
Transfers	**49.7**	**57.6**	**-**	**18.8**	**(126.0)**	**0.1**
Decommissioning liabilities and revisions	**2.2**	**(0.1)**	**5.5**	**-**	**-**	**7.6**
Balance at December 31, 2014	**1,527.4**	**718.0**	**839.2**	**217.4**	**3,026.8**	**6,328.8**
Depreciation and depletion						
Balance at January 1, 2013	301.1	81.0	49.5	42.8	-	474.4
Depreciation and depletion	33.8	18.3	25.1	12.7	-	89.9
Disposals	(1.9)	(0.4)	-	(0.6)	-	(2.9)
Other adjustments	0.2	0.1	-	0.1	-	0.4
Balance at December 31, 2013	**333.2**	**99.0**	**74.6**	**55.0**	**-**	**561.8**
Depreciation and depletion	**38.0**	**19.3**	**22.5**	**12.9**	**-**	**92.7**
Disposals	**(1.2)**	**(0.4)**	**-**	**(0.9)**	**-**	**(2.5)**
Other adjustments	**(0.5)**	**0.5**	**-**	**-**	**-**	**-**
Balance at December 31, 2014	**369.5**	**118.4**	**97.1**	**67.0**	**-**	**652.0**
Carrying value						
Balance at January 1, 2013	1,124.4	529.2	356.1	133.1	659.6	2,802.4
Balance at December 31, 2013	1,144.0	563.3	521.6	144.9	1,368.8	3,742.6
Balance at December 31, 2014	**1,157.9**	**599.6**	**742.1**	**150.4**	**3,026.8**	**5,676.8**

9. INTANGIBLE ASSETS

(millions of Canadian dollars)	**December 31 2014**	December 31 2013
Balance, beginning of year	**-**	-
Additions	**12.9**	-
Balance, end of year	**12.9**	-

Intangible assets consist of exploration investments in acquired seismic data and technical studies, used to identify and encourage the development of areas with potential oil reserves off the coast of Newfoundland and Labrador. Intangible assets are amortized on a straight-line basis over a six-year period. At December 31, 2014, there was no amortization or impairment recognized on intangible assets.

10. REGULATORY DEFERRALS

	January 1 2013	Regulatory activity	December 31 2013	Regulatory activity	**December 31 2014**	**Remaining Recovery Settlement Period (years)**
Regulatory asset deferrals						
Foreign exchange losses	62.6	(2.1)	60.5	(2.1)	**58.4**	27.0
Foreign exchange on fuel	0.1	(0.1)	-	0.3	**0.3**	n/a
Deferred lease costs	-	-	-	3.7	**3.7**	n/a
2014 cost deferral	-	-	-	45.9	**45.9**	n/a
Fuel supply deferral	-	-	-	9.6	**9.6**	n/a
Deferred energy conservation costs	2.4	1.5	3.9	2.4	**6.3**	n/a
	65.1	(0.7)	64.4	59.8	**124.2**	
Regulatory liability deferrals						
Rate stabilization plan (RSP)	(201.7)	(52.1)	(253.8)	7.8	**(246.0)**	n/a
Insurance proceeds (net)	-	(4.3)	(4.3)	(1.3)	**(5.6)**	n/a
Deferred power purchase savings	(0.5)	-	(0.5)	-	**(0.5)**	12.5
	(202.2)	(56.4)	(258.6)	6.5	**(252.1)**	

10.1 Regulatory Adjustments Recorded in the Consolidated Statement of Profit and Comprehensive Income

(millions of Canadian dollars)	**2014**	2013
RSP amortization	**41.2**	58.9
Rural rate adjustment	**9.1**	11.4
RSP fuel deferral	**(76.1)**	(35.3)
RSP interest	**18.0**	17.1
Total RSP activity	**(7.8)**	52.1
2014 cost deferral	**(45.9)**	-
Fuel supply deferral	**(9.6)**	-
Amortization of deferred foreign exchange losses	**2.1**	2.1
Deferred foreign exchange on fuel	**(0.3)**	0.1
Deferred energy conservation costs	**(2.4)**	(1.5)
Insurance proceeds (net)	**1.3**	4.3
Deferred lease costs	**(3.7)**	-
	(66.3)	57.1

The following section describes Hydro's regulatory deferrals which will be, or are expected to be, reflected in customer rates in future periods and have been established through the rate setting process. In the absence of rate regulation, these amounts would be reflected in operating results in the year and profit or loss for 2014 would have decreased by $66.3 million (2013 - $57.1 million increase).

10.2 Rate Stabilization Plan (RSP)

The PUB ordered Hydro to implement a rate stabilization plan (RSP) which primarily provides for the deferral of fuel expense variances resulting from changes in fuel prices, hydrology and load and associated interest. Additionally, the RSP also includes costs associated with the island interconnected and isolated systems. Adjustments required in utility rates to cover the amortization of the balance are implemented on July 1 of each year. Similar adjustments required in industrial rates are implemented on January 1 of each year.

During 2014, Hydro recorded a net decrease in regulatory liabilities of $7.8 million (2013 - $52.1 million increase) resulting in an RSP ending balance for 2014 of $246.0 million (2013 - $253.8 million). Included in the balance is $75.6 million (2013 - $119.4 million) which is to be refunded in the following year, with the exception of hydraulic variations, which will be refunded at a rate of 25% of the outstanding balance at year end. The remaining portion of the RSP balance totaling $170.4 million (2013 - $134.4 million) has been set aside with $124.0 million (2013 - $115.3 million) to be refunded to Newfoundland Power's retail customers, $10.9 million (2013 - $10.9 million) to be used to phase in Island Industrial rate increases and $35.5 million (2013 - $8.2 million) subject to a future regulatory ruling.

10.3 Deferred Foreign Exchange Losses

In 2002, the PUB ordered Hydro to defer realized foreign exchange losses related to the issuance of Swiss Franc and Japanese Yen denominated debt and amortize the balance over a 40-year period. Accordingly, these costs were recognized as a regulatory asset. During 2014, the amortization of $2.1 million (2013 - $2.1 million) reduced regulatory assets.

10.4 Deferred Energy Conservation Costs

The PUB ordered the deferral of costs associated with an electrical conservation program for residential, industrial, and commercial sectors. In 2014, Hydro recognized $2.4 million (2013 - $1.5 million) as a regulatory asset. Recovery of this balance will be addressed as part of Hydro's General Rate Application currently before the PUB.

10.5 Deferred Purchased Power Savings

In 1997, the Pub ordered Hydro to defer $1.1 million in benefits related to a reduced initial purchased power rate relating to interconnecting communities in the area of L'Anse au Clair to Red Bay to the Hydro-Québec system and amortize the balance over a 30-year period. The remaining unamortized savings in the amount of $0.5 million (2013 - $0.5 million) are deferred as a regulatory liability.

10.6 Deferred Foreign Exchange on Fuel

Hydro purchases a significant amount of fuel for the Holyrood Thermal Generating Station (HTGS) in USD. The RSP allows Hydro to defer variances in fuel prices (including foreign exchange fluctuations). During 2014, Hydro recognized in regulatory assets, foreign exchange losses on fuel purchases of $0.3 million (2013 - $0.1 million gain).

10.7 Insurance Proceeds (Net of Amortization)

Pursuant to Order No. P.U. 13 (2012), Hydro records net insurance proceeds against the capital costs and amortizes the balance over the life of the asset. Under IFRS, Hydro is required to recognize the insurance proceeds and corresponding amortization in regulatory liabilities. During 2014, Hydro recorded an increase to regulatory liabilities related to insurance proceeds of $1.8 million (2013 - $4.5 million) and amortization of $0.5 million (2013 - $0.2 million) related to those assets.

10.8 Deferred Lease Costs

As per Order no. P.U. 28 (2013), Hydro received approval to defer lease costs associated with the 16 MW diesel plant and other necessary infrastructure to ensure black start capability at the HTGS. In 2014, Hydro recognized $3.7 million (2013 - $nil) in regulatory assets. Recovery of this balance is subject to a future PUB Order.

10.9 Fuel Supply Deferral

Pursuant to Order no. P.U. 56 (2014), Hydro received approval to defer additional capacity related supply costs incurred during the three months ended March 31, 2014. In 2014, Hydro deferred $9.6 million (2013 - $nil) in regulatory assets. Recovery of this balance is subject to a future PUB Order.

10.10 2014 Cost Deferral

As per Order no. P.U. 58 (2014), Hydro received approval to defer $45.9 million in relation to Hydro's proposed 2014 revenue requirement (2013 -$nil). Accordingly, these costs have been recognized as a regulatory asset. Recovery of this balance is subject to a future PUB Order.

11. OTHER LONG-TERM ASSETS

(millions of Canadian dollars)		**December 31 2014**	December 31 2013	January 1 2013
Long-term receivables	**(a)**	**37.2**	16.7	0.8
Long-term prepayments	**(b)**	**15.0**	9.6	-
Reserve fund	**(c)**	**34.2**	50.5	50.9
Sinking funds	**(d)**	**267.1**	237.9	302.8
		353.5	314.7	354.5
Less: current portion of sinking funds		**(1.5)**	(65.4)	-
		352.0	249.3	354.5

(a) As at December 31, 2014, long-term receivables include $36.9 million (2013 - $15.0 million) related to long-term advances to suppliers in relation to construction of the Lower Churchill Project. Of the $36.9 million, $33.2 million relates to the Muskrat Falls hydroelectric plant and is secured by a $33.2 million letter of credit from a Canadian Schedule 1 Chartered bank. The remaining $0.3 million (2013 - $1.7 million) includes the non-current portion of receivables associated with customer payment plans and the long-term portion of employee purchase programs.

(b) Long-term prepayments include prepaid insurance expenditures related to the Lower Churchill Project.

(c) In 2007, pursuant to the terms of the 1999 Shareholders' Agreement, Churchill Falls commenced the creation of a $75.0 million segregated reserve fund to contribute torwards the funding of capital expenditures related to Churchill Falls' existing facilities and their replacement. Churchill Falls invested $17.0 million in each of 2007, 2008 and 2009 and $8.0 million in each of 2010, 2011 and 2012. In October 2014, $23.4 million was withdrawn to fund a portion of 2014 capital expenditures. As per the terms of the Shareholders' Agreement, these funds will be replaced over a five-year period with $5.84 million due in each of 2015, 2016 and 2017 and $2.92 million due in 2018 and 2019.

This fund must remain in place until the end of the Shareholders' Agreement in 2041. Any further amounts to fund capital expenditures must be replaced. Reserve fund holdings consist of securities issued by the Government of Canada, various provinces of Canada and Canadian Schedule 1 and 2 Chartered banks.

The reserve fund consists of the following:

(millions of Canadian dollars)	**2014**	2013
Balance, beginning of year	**50.5**	50.9
Net discount (premium)	**0.3**	-
Principal withdrawals	**(15.4)**	-
Earnings withdrawn	**(1.0)**	-
Mark-to-market adjustment	**(0.2)**	(0.4)
Balance, end of year	**34.2**	50.5

(d) As at December 31, 2014, sinking funds include $228.4 million (2013 - $267.6 million) related to repayment of Hydro's long-term debt and $40.2 million (2013 - $35.7 million) related to funding of Nalcor's long-term payable under the Upper Churchill Redress Agreement (UCRA).

Sinking fund investments consist of bonds, debentures, promissory notes and coupons issued by, or guaranteed by, the Government of Canada, provincial governments or Canadian Schedule 1 Chartered banks and have maturity dates ranging from 2017 to 2033.

Sinking fund investments in Hydro's debentures, which are intended to be held to maturity are deducted from debt while all other sinking fund investments are shown separately as assets on the consolidated Statement of Financial Position. Annual contributions to the various sinking funds are in accordance with bond indenture terms, and are structured to ensure the availability of adequate funds at the time of expected bond redemption.

Effective yields range from 1.52% to 9.12% (2013 - 1.17% to 9.86%.)

Nalcor's sinking funds are also held to fund the annual payments to the Innu Nation as required under the UCRA.

The sinking funds consist of the following:

(millions of Canadian dollars)	**2014**	2013
Balance, beginning of year	**303.3**	302.8
Contributions	**8.3**	8.4
Earnings	**63.1**	14.7
Disposals	**(126.5)**	(1.8)
Mark-to-market adjustment	**21.2**	(20.8)
Gain on sale of investments	**(0.8)**	-
Balance, end of year	**268.6**	303.3
Less: current portion	**1.5**	65.4
	267.1	237.9

Sinking fund instalments due for the next five years are as follows:

(millions of Canadian dollars)	2015	2016	2017	2018	2019
Sinking fund instalments	8.1	8.1	6.7	6.7	6.7

12. LONG-TERM INVESTMENTS

As at December 31, 2014, long-term investments consist of structured deposit notes of $1,023.8 million (2013 - $1,807.3 million) related to Muskrat Falls, $224.8 million (2013 - $396.7 million) related to Labrador Transco and $1,622.8 million (2013 - $2,273.4 million) related to the LIL Partnership. These notes were acquired on December 20, 2013.

(millions of Canadian dollars)	**December 31 2014**	December 31 2013
Long-term investments, beginning of year	**4,477.4**	-
Contributions	**-**	4,749.6
Redemptions	**(1,667.4)**	(274.5)
Earnings	**61.4**	2.3
Long-term investments, end of year	**2,871.4**	4,477.4

13. TRADE AND OTHER PAYABLES

The composition of trade and other payables is as follows:

(millions of Canadian dollars)	**December 31 2014**	December 31 2013	January 1 2013
Trade payables	**553.0**	344.3	126.8
Accrued interest	**45.9**	37.9	0.3
Due to related parties	**0.8**	1.0	28.7
Rent and royalty payable	**3.1**	3.7	4.0
Other payables	**69.3**	24.8	21.2
	672.1	411.7	181.0

14. DEBT

14.1 Short-term Borrowings

During April 2014, Nalcor converted a $250.0 million (2013 - $250.0 million) unsecured demand operating credit facility with its banker to a $250.0 million committed revolving term credit facility, with a maturity date of January 31, 2016. There were no amounts drawn on this facility at December 31, 2014. Borrowings in CAD may take the form of Prime Rate Advances, Bankers' Acceptances (BA) and letters of credit. Borrowings in USD may take the form of Base Rate Advances, London Interbank Offer Rates (LIBOR) Advances and letters of credit.

On September 18, 2014, Nalcor issued a $1.2 million USD irrevocable letter of credit to New York Independent System Operator Inc., relating to collateral required for Energy Marketing to participate in the New York energy markets. In October 2014, Nalcor issued a $1.3 million USD irrevocable letter of credit to ISO New England Inc., and a $0.2 million irrevocable letter of credit to the Independent Electricity System Operator. These letters relate to collateral required for Energy Marketing to participate in the New England and Ontario energy markets, respectively. In November 2014, Nalcor issued a $1.0 million irrevocable letter of credit to Hydro-Québec relating to collateral requirements for Hydro-Québec transmission customers. These letters are in addition to the three other irrevocable letters of credit drawn at December 31, 2014. Two letters were issued to the Newfoundland Labrador Offshore Petroleum Board, and one was issued to Newfoundland Transshipment Ltd. These letters totaled $4.8 million and relate to Oil and Gas to ensure compliance with regulations relating to petroleum and natural gas exploration and production activities.

In October 2014, Nalcor's Board of Directors approved an unconditional and irrevocable guarantee for a $20.0 million demand operating credit facility for Energy Marketing. In November 2014, Energy Marketing's Board of Directors approved the guarantee and authorized Energy Marketing to obtain a $20.0 million demand operating facility from its banker. At December 31, 2014, the bank had yet to advance the $20.0 million demand operating facility. In the interim, the Board agreed to provide up to $2.0 million in financial support to Energy Marketing.

Hydro maintains a $50.0 million CAD or USD equivalent unsecured demand operating credit facility with its banker and at December 31, 2014, there were no amounts drawn on this facility (2013 - $nil). Borrowings in CAD may take the form of Prime Rate Advances, BAs and Letters of Credit. Borrowings in USD may take the form of Base Rate Advances, LIBOR Advances and Letters of Credit. The facility also provides coverage for overdrafts on Hydro's bank accounts. At December 31, 2014 Hydro had one letter of credit outstanding in the amount of $0.3 million (2013 - $0.3 million). This letter was issued to Department of Fisheries and Oceans as a performance guarantee in relation to the Fish Habitat Compensation Program.

Churchill Falls maintains a $10.0 million CAD or USD equivalent unsecured demand operating credit facility with its banker and at December 31, 2014, there were no amounts drawn on this facility (2013 - $nil). Borrowings in CAD may take the form of Prime Rate Advances and BAs and borrowings in USD may take the form of Base Rate Advances. Churchill Falls has issued three irrevocable letters of credit, totaling $2.0 million, to ensure satisfactory management of its waste management and compliance with a certificate of approval for the transportation of special hazardous wastes granted by the Department of Environment and Conservation.

Oil and Gas maintains a $5.0 million CAD or USD unsecured credit facility. There were no amounts drawn on this facility at December 31, 2014 (2013 - $nil). Borrowings in CAD may take the form of Prime Rate Advances and Letters of Credit. Borrowings in USD may take the form of Base Rate Advances and Letters of Credit. The facility also provides coverage for overdrafts on Oil and Gas's bank accounts. At December 31, 2014, Oil and Gas had no letters of credit outstanding (2013 - $0.3 million).

LCMC maintains a $50.0 million unsecured revolving credit facility with its parent, Nalcor. At December 31, 2014, there was $3.6 million (2013 – nil) outstanding on this facility. Borrowings may take the form of Prime Rate Advances.

Short-term borrowings consist of promissory notes in Hydro totalling $53.0 million (2013 - $41.0 million).

14.2 Long-term Debt

(millions of Canadian dollars)	Face Value	Coupon Rate %	Year of Issue	Year of Maturity	**December 31 2014**	December 31 2013	January 1 2013
Hydro							
V*	0.3	10.50	1989	2014	**0.3**	125.0	124.8
X*	150.0	10.25	1992	2017	**149.7**	149.5	149.4
Y*	300.0	8.40	1996	2026	**294.3**	294.0	293.8
AB*	300.0	6.65	2001	2031	**305.9**	306.1	306.3
AD*	125.0	5.70	2003	2033	**123.7**	123.7	123.7
AE	225.0	4.30	2006	2016	**224.6**	224.4	224.2
AF	200.0	3.60	2014	2045	**197.1**	-	-
LIL LP							
Tranche A	725.0	3.76	2013	2033	**725.3**	725.3	-
Tranche B	600.0	3.86	2013	2045	**600.1**	600.1	-
Tranche C	1,075.0	3.85	2013	2053	**1,075.2**	1,075.2	-
Labrador Transco/Muskrat Falls							
Tranche A	650.0	3.63	2013	2029	**650.2**	650.3	-
Tranche B	675.0	3.83	2013	2037	**675.1**	675.1	-
Tranche C	1,275.0	3.86	2013	2048	**1,275.3**	1,275.3	-
Total debentures	6,300.3				**6,296.8**	6,224.0	1,222.2
Less: Sinking fund investments in own debentures					**47.9**	93.9	88.1
					6,248.9	6,130.1	1,134.1
Less: payments due within one year					**8.4**	82.2	8.2
Total debentures					**6,240.5**	6,047.9	1,125.9

*Sinking funds have been established for these issues.

Hydro's promissory notes and debentures are unsecured and unconditionally guaranteed as to principal and interest and, where applicable, sinking fund payments, by the Province. The Province charges Hydro a guarantee fee of 25 basis points annually on the total debt (net of sinking funds) with a remaining term to maturity less than 10 years and 50 basis points annually on total debt (net of sinking funds) with a remaining term to maturity greater than 10 years. The fee for 2014 was $3.7 million (2013 - $3.7 million).

On September 15, 2014, Hydro raised new long-term debt through the sale of $200.0 million of Series AF debentures to its underwriting syndicate. The debentures mature on December 31, 2045 with a coupon of 3.6% paid semi-annually.

On November 29, 2013, the Project Trust entered into the IT Project Finance Agreement (IT PFA) with the Labrador-Island Link Funding Trust (LIL Funding Trust). Under the terms and conditions of the IT PFA, the LIL Funding Trust agreed to provide a non-revolving credit facility in the amount of $2.4 billion available in three tranches (Tranches A, B and C) to the Project Trust, which itself proceeded to on-lend this amount to the Partnership under the terms of the LIL Project Finance Agreement (LIL PFA). The purpose of the LIL Funding Trust is to issue long-term debentures to the public, which debt is guaranteed by the Government of Canada and to on-lend the proceeds to the Project Trust. The proceeds of the facility are to be used exclusively for the construction of the LIL.

On December 13, 2013, all three tranches of the construction facility were drawn down by way of a single advance to the Project Trust of $2.4 billion. Under the terms of the IT PFA, the $2.4 billion advance is held in an account administered by a collateral agent with a portion of the funds invested in structured deposits notes. The LIL LP draws funds from this account on a monthly basis in accordance with procedures set out in the LIL PFA.

As security for these debt obligations, the LIL LP has granted to the collateral agent first ranking liens on all present and future assets relating to the Lower Churchill Project. On the date of the release of the final funding request from the collateral agent, sinking funds are required to be set up for each of the three tranches to be held in a sinking fund account administered by the collateral agent.

On November 29, 2013, Muskrat Falls and Transco entered into the MF/LTA Project Finance Agreement (MF/LTA PFA) with the MF/LTA Funding Trust. Under the terms and conditions of the MF/LTA PFA, the MF/LTA Funding Trust agreed to provide a non-revolving credit facility in the amount of $2.6 billion available in three tranches (Tranches A, B and C). The purpose of the MF/LTA Funding Trust is to issue long-term debentures to the public, which debt is guaranteed by the Government of Canada and to on-lend the proceeds to Muskrat Falls and Transco. Muskrat Falls and Transco are both jointly and severally liable for the full amount of the credit facility.

On December 13, 2013, all three tranches of the construction facility were drawn down by way of a single advance of $2.6 billion. Under the terms of the MF/LTA PFA, the $2.6 billion advance is held in an account administered by the collateral agent with a portion of the funds invested in structured deposits notes. Muskrat Falls and Transco draw funds from this account on a monthly basis in accordance with procedures set out in the MF/LTA PFA. Although Muskrat Falls and Transco are jointly and severally liable for the $2.6 billion, only the project ratable share for each, 82% and 18% respectively, is recognized as long-term debt.

As security for these debt obligations, Muskrat Falls and Transco have granted to the collateral agent first ranking liens on all present and future assets. On the date of the release of the final funding requests from the collateral agent, sinking funds are required to be set up for each of the three tranches to be held in an account administered by the collateral agent.

The role of the collateral agent is to act on behalf of the lending parties, including the LIL Funding Trust, the MF/LTA Funding Trust and the Government of Canada. The collateral agent oversees the lending and security arrangements, the various project accounts and compliance with the covenants.

Required repayments of long-term debt over the next five years will be as follows:

(millions of Canadian dollars)	2015	2016	2017	2018	2019
Long-term debt repayment	0.3	225.0	150.0	-	-

15. CLASS B LIMITED PARTNERSHIP UNITS

The Class B limited partnership units issued represent Emera Incorporated's (Emera) interest in LIL LP. The Class B limited partnership units have certain rights and obligations, including mandatory distributions, that result in the classification of these units as financial liabilities. The partnership units are measured at amortized cost using the effective interest method. The return on the units is classified as net finance income and expense and capitalized as non-cash additions to property, plant and equipment.

In 2013, the Class B limited partnership units were issued to Emera NL in return for cash contributions of $67.7 million to the Class B partnership account. The components of the change in balances in the Class B limited partnership unit are as follows:

		December 31		December 31
(millions of Canadian dollars)	**Units**	**2014**	Units	2013
Class B limited partnership units, beginning of year	**25**	**73.0**	**-**	**-**
Units issued	**-**	**-**	25	67.7
Accrued interest	**-**	**6.4**	-	5.3
Class B limited partnership units, end of year	**25**	**79.4**	25	73.0

16. DEFERRED CREDITS

Deferred credits consist of funding from the Province, deferred energy sales from Emera and deferred lease revenue.

(millions of Canadian dollars)	**Hydro Wind Credits**	**Oil and Gas Program Funding**	**Deferred Energy Sales**	**Other**	**Total**
Balance at January 1, 2013	1.9	4.8	45.0	0.5	52.2
Additions	-	1.5	46.7	1.4	49.6
Amortization	(1.2)	(2.1)	-	(0.5)	(3.8)
Balance at December 31, 2013	**0.7**	**4.2**	**91.7**	**1.4**	**98.0**
Additions	**-**	**1.1**	**238.3**	**0.1**	**239.5**
Amortization	**-**	**(1.0)**	**-**	**-**	**(1.0)**
	0.7	**4.3**	**330.0**	**1.5**	**336.5**
Less: current portion	**(0.7)**	**(1.2)**	**-**	**(1.5)**	**(3.4)**
Deferred credits, end of year	**-**	**3.1**	**330.0**	**-**	**333.1**

Hydro has received funding from the Province for wind feasibility studies in Labrador. Oil and Gas has received funding from the Province for oil and gas exploration initiatives. Funding related to studies and programs is amortized to income directly against the related expenditures as the costs are incurred.

In July 2012, Nalcor entered into agreements with Emera related to Phase 1 of the Lower Churchill Project. Under these agreements, Emera is constructing the Maritime Link in exchange for the provision of power and energy by Nalcor for a 35 year period. Nalcor has recorded deferred revenue of $330.0 million (2013 - $91.7 million) which equals the construction costs, capitalized borrowing costs and deferred financing costs to date incurred by Emera. Nalcor has determined that it controls the Maritime Link asset for financial reporting purposes, and as such, has recorded the costs as a component of property, plant and equipment under construction.

17. DEFERRED CONTRIBUTIONS

Nalcor has received contributions in aid of construction of property, plant and equipment. These contributions are deferred and amortized to other revenue over the life of the related item of property, plant and equipment.

(millions of Canadian dollars)	**December 31 2014**	December 31 2013
Deferred contributions, beginning of year	**11.3**	10.1
Additions	**5.2**	1.9
Amortization	**(0.7)**	(0.7)
	15.8	11.3
Less: current portion	**(0.8)**	(0.6)
Deferred contributions, end of year	**15.0**	10.7

18. DECOMMISSIONING LIABILITIES

Nalcor has recognized liabilities associated with the retirement of portions of the Holyrood Thermal Generating Station, disposal of Polychlorinated Biphenyls (PCB's) and decommissioning liabilities resulting from its net ownership interests in petroleum and natural gas properties and related well sites.

The reconciliation of the beginning and ending carrying amounts of decommissioning liabilities for the years ended December 31, 2014 and December 31, 2013 are as follows:

(millions of Canadian dollars)	**December 31 2014**	December 31 2013
Decommissioning liabilities, beginning of year	**33.9**	33.0
Liabilities incurred	**5.9**	-
Liabilities settled	**-**	(0.3)
Accretion	**1.3**	1.2
Revisions	**2.1**	-
Decommissioning liabilities, end of year	**43.2**	33.9
Less: current portion	**(1.1)**	(0.9)
Decommissioning liabilities, end of year	**42.1**	33.0

The total estimated undiscounted cash flows required to settle the HTGS obligations at December 31, 2014 are $32.1 million (2013 - $32.1 million). Payments to settle the liabilities are expected to occur between 2020 and 2024. The fair value of the decommissioning liabilities was determined using the present value of future cash flows discounted at the Company's credit adjusted risk free rate of 2.6% (2013 – 3.6%). Hydro has recorded $25.8 million (2013 - $22.7 million) related to HTGS obligations.

The total estimated undiscounted cash flows required to settle the PCB obligations at December 31, 2014 are $2.5 million (2013 - $2.5 million). Payments to settle the liabilities are expected to occur between 2015 and 2025. The fair value of the decommissioning liabilities was determined using the present value of future cash flows discounted at the Company's credit adjusted risk free rate of 2.8 to 4.6% (2013 - 3.8 to 5.5%). Hydro has recorded (2013 - $2.2 million) related to PCB obligations.

Oil and Gas decommissioning liabilities result from net ownership interests in petroleum and natural gas properties and related well sites. The total undiscounted estimated cash flows required to settle the obligations at December 31, 2014 are $30.5 million (2013 - $14.5 million). Payments to settle the liabilities are expected to occur between 2015 and 2032. The fair value of the decommissioning liabilities was determined using the present value future cash flows discounted at rates ranging from 3.7% to 5.6% (2013 - 4.5% to 5.9%).

A significant number of Nalcor's assets include generation plants, transmission assets and distribution systems These assets can continue to run indefinitely with ongoing maintenance activities. As it is expected that Nalcor's assets will be used for an indefinite period, no removal date can be determined and consequently, a reasonable estimate of the fair value of any related decommissioning liability cannot be determined at this time. If it becomes possible to estimate the fair value of the cost of removing assets that Hydro is required to remove, a decommissioning liability for those assets will be recognized at that time.

19. LONG-TERM PAYABLES

The long-term payables consist of a payable to the Innu Nation under the UCRA, a payable to the Innu Nation under Impact and Benefits Agreement (IBA), a payable to Hydro-Québec related to AEB and a payable related to the Hebron Oil and Gas project.

(millions of Canadian dollars)	**2014**	2013
Balance, beginning of year	**86.5**	90.5
Payments	**(8.1)**	(8.1)
Additions and revisions	**-**	0.2
Accretion	**3.8**	3.9
	82.2	86.5
Less: current portion	**(8.2)**	(8.2)
Balance, end of year	**74.0**	78.3

Under the UCRA, Nalcor is required to pay to the Innu Nation $2.0 million annually, escalating by 2.5% annually until 2014. Currently, $2.2 million (2013 - $2.2 million) of the amount is current and is recorded in accounts payable and accrued liabilities. Nalcor has sinking funds in the amount of $40.2 million (2013 - $35.7 million) to fund these future obligations.

Under the IBA, Nalcor is required to make annual payments to the Innu Nation that commenced on sanction of the Muskrat Falls hydroelectric plant. The Muskrat Falls hydroelectric plant was sanctioned in December 2012 and the first IBA payment was made at that time. The IBA requires annual payments of $5.0 million escalating by the annual consumer price index from sanction until first commercial power. The present value of the payments using a discount rate of 3.7% is $33.5 million (2013 - $36.8 million). The current portion of the payable at December 31, 2014 is $5.0 million (2013 - $5.0 million).

In September 2012, the joint venture partners in the Hebron project executed the Benefits Agreement Drilling Equipment Set (DES) Settlement Agreement. This Agreement allowed the Hebron partners to adjust the Hebron Benefits Agreement such that the Hebron Project DES could be constructed at a geographic location outside of Newfoundland and Labrador in exchange for a one-time payment to the Province. The total payment was agreed to be $150.0 million payable on June 30, 2016. Nalcor's proportionate 4.9% share of the undiscounted payment will be $7.3 million. The payment is recorded at the present value using a discount rate of 2.6%.

The long-term payable to Hydro-Québec as at December 31, 2014 is the accumulation of differences between energy delivered and the AEB billed during the four-year period from September 1, 2008 to August 31, 2012. Monthly repayments commenced in September 2012 and will terminate on August 31, 2016. The current portion of $1.0 million (2013 - $1.0 million) is included in accounts payable and accrued liabilities. The long-term portion is $0.7 million (2013 - $1.6 million).

20. EMPLOYEE FUTURE BENEFITS

20.1 Pension Plan

Employees participate in the Province's Public Service Pension Plan, a multi-employer defined benefit plan. The employer's contributions of $7.8 million (2013 - $7.3 million) are expensed as incurred.

20.2 Other Benefits

Nalcor 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 to a severance payment upon retirement. In 2014, cash payments to beneficiaries for its unfunded other employee future benefits were $2.7 million (2013 - $3.2 million). An actuarial valuation was performed as at December 31, 2012, with an extrapolation to December 31, 2014. The next actuarial valuation will be performed at December 31, 2015.

For the year ended December 31 (millions of Canadian dollars)	**2014**	2013
Accrued benefit obligation		
Balance at beginning of year	**118.5**	119.9
Current service cost	**4.7**	5.0
Interest cost	**6.1**	4.7
Benefits paid	**(2.7)**	(3.2)
Actuarial loss (gain)	**17.9**	(7.9)
Balance at end of year	**144.5**	118.5

For the year ended December 31 (millions of Canadian dollars)	**2014**	2013
Component of benefit cost		
Current service cost	**4.7**	5.0
Interest cost	**6.1**	4.7
Total benefit expense for the year	**10.8**	9.7

The significant actuarial assumptions used in measuring the accrued benefit obligations and benefit expenses are as follows:

	2014	2013
Discount rate - benefit cost	**5.00%**	4.00%
Discount rate - accrued benefit obligation	**4.20%**	5.00%
Rate of compensation increase	**3.50%**	3.50%

Assumed healthcare trend rates:

	2014	2013
Initial health care expense trend rate	**6.00%**	6.00%
Cost trend decline to	**4.50%**	4.50%
Year that rate reaches the rate it is assumed to remain at	**2020**	2020

A 1% change in assumed health care trend rates would have had the following effects:

Increase (millions of Canadian dollars)	**2014**	2013
Current service and interest cost	**2.4**	2.5
Accrued benefit obligation	**30.9**	22.4

Decrease (millions of Canadian dollars)	**2014**	2013
Current service and interest cost	**(1.7)**	(1.7)
Accrued benefit obligation	**(23.1)**	(17.1)

21. SHAREHOLDER'S EQUITY

21.1 Share Capital

(millions of Canadian dollars)	**December 31 2014**	December 31 2013	January 1 2013
Common shares of par value $1 each			
Authorized - unlimited			
Issued and outstanding - 122,500,000	**122.5**	**122.5**	122.5

21.2 Shareholder Contributions

(millions of Canadian dollars)	**December 31 2014**	December 31 2013	January 1 2013
Total contributed capital	**1,469.1**	1,141.8	435.8

On February 3, 2010, the Province established the Churchill Falls (Labrador) Corporation Trust (the Trust) with Churchill Falls as the beneficiary. The purpose of this trust is to fund the external costs and expenses incurred in relation to the motion filed by Churchill Falls seeking a modification to the pricing terms of the Power Contract. During 2014, the Trust contributed $0.2 million (2013 - $1.7 million).

In addition, during 2014, the Province contributed capital in the amount of $327.1 million (2013 - $704.3 million) in relation to Nalcor's capital investments.

22. REVENUE

For the year ended December 31 (millions of Canadian dollars)	**2014**	2013
Electricity sales	**670.4**	661.9
GWAC revenue	**21.1**	21.2
Oil sales	**73.9**	75.5
Royalties	**(9.8)**	(3.3)
Total energy sales	**755.6**	755.3
Lease revenue	**17.8**	16.6
Government funding	**1.0**	2.2
Preferred dividends	**2.7**	3.2
Other	**19.0**	7.6
Total other revenue	**40.5**	29.6

23. OPERATING COSTS

For the year ended December 31 (millions of Canadian dollars)	**2014**	2013
Salaries and benefits expense	**125.7**	113.3
Transmission rental	**20.4**	20.5
Maintenance and materials	**37.2**	29.8
Oil and gas production costs	**11.3**	9.2
Professional services	**26.2**	17.9
Travel and transportation	**9.4**	8.7
Other operating costs	**17.3**	12.6
	247.5	212.0

24. NET FINANCE INCOME AND EXPENSE

For the year ended December 31 (millions of Canadian dollars)	**2014**	2013
Finance income		
Interest on investments	**61.5**	2.4
Interest on sinking fund	**17.1**	20.7
Interest on restricted cash	**8.7**	1.3
Interest on reserve fund	**1.3**	1.5
Other interest income	**2.5**	0.9
	91.1	26.8
Finance costs		
Long-term debt	**276.1**	99.7
Class B Limited Partnership Units	**6.4**	5.3
Foreign exchange loss	**4.7**	0.3
Debt guarantee fee	**3.7**	3.7
Accretion	**5.4**	5.6
Other	**-**	0.8
	296.3	115.4
Interest capitalized during construction	**(133.2)**	(14.8)
	163.1	100.6
Net finance income and expense	**72.0**	73.8

25. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

25.1 Fair Value

The estimated fair values of financial instruments as at December 31, 2014 and 2013 are based on relevant market prices and information available at the time. Fair value estimates are based on valuation techniques which are significantly affected by the assumptions used including the amount and timing of future cash flows and discount rates reflecting various degrees of risk. As such, the fair value estimates below are not necessarily indicative of the amounts that Nalcor might receive or incur in actual market transactions.

As a significant number of Nalcor's assets and liabilities do not meet the definition of a financial instrument, the fair value estimates below do not reflect the fair value of Nalcor as a whole.

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

Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value. For assets and liabilities that are recognized at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. There were no transfers between Level 1, 2 and 3 fair value measurements during the years ended December 31, 2014 and 2013.

	Level	**Carrying Value**	**Fair Value**	Carrying Value	Fair Value	Carrying Value	Fair Value
(millions of Canadian dollars)		**December 31, 2014**		December 31, 2013		January 1, 2013	
Financial assets							
Cash and cash equivalents	**1**	**57.7**	**57.7**	93.7	93.7	11.9	11.9
Restricted cash	**1**	**1,133.7**	**1,133.7**	525.5	525.5	-	-
Short-term investments	**1**	**34.4**	**34.4**	1.0	1.0	11.0	11.0
Trade and other receivables	**1**	**249.2**	**249.2**	149.8	149.8	124.7	124.7
Derivative assets	**2**	**11.8**	**11.8**	0.2	0.2	0.1	0.1
Sinking funds - investments in same Hydro issue	**2**	**47.9**	**62.3**	93.9	105.1	88.1	107.3
Sinking funds - other investments	**2**	**268.6**	**268.6**	303.3	303.3	302.8	302.8
Long-term investments	**2**	**2,871.4**	**2,872.4**	4,477.4	4,476.2	-	-
Reserve fund	**2**	**34.2**	**34.2**	50.5	50.5	50.9	50.9
Long-term receivables	**2**	**37.2**	**37.2**	16.7	16.8	0.8	0.8
Financial liabilities							
Short-term borrowings	**1**	**53.0**	**53.0**	41.0	41.0	125.0	125.0
Trade and other payables	**1**	**672.1**	**672.1**	411.7	411.7	181.0	181.0
Derivative liabilities	**2**	**1.6**	**1.6**	1.5	1.5	-	-
Long-term debt (including amount due within one year before sinking funds)	**2**	**6,296.8**	**7,626.7**	6,224.0	6,626.6	1,222.2	1,668.6
Class B limited partnership units	**3**	**79.4**	**79.4**	73.0	73.0	-	-
Long-term payables	**2**	**74.0**	**86.3**	78.3	83.2	82.4	82.6

The fair value of cash and cash equivalents, restricted cash, short-term investments, trade and other receivables, short-term borrowings and trade and other payables approximates their carrying values due to their short-term maturity.

25.2 Risk Management

Nalcor is exposed to certain credit, liquidity and market price risks through its operating, financing and investing activities. Financial risk is managed in accordance with a Board approved policy, which outlines the objectives and strategies for the management of financial risk, including the use of derivative contracts. Permitted financial risk management strategies are aimed at minimizing the volatility of Nalcor’s expected future cash flows.

<u>Credit Risk</u>

Nalcor’s expected future cash flows are exposed to credit risk through its operating activities, primarily due to the potential for non-performance by its customers, and through its financing and investing activities, based on the risk of non-performance by counterparties to its financial instruments. The degree of exposure to credit risk on cash and cash equivalents, short-term investments, long-term investments and derivative assets as well as from the sale of electricity to customers, including the associated accounts receivable, is determined by the financial capacity and stability of those customers and counterparties. The maximum exposure to credit risk on these financial instruments is represented by their carrying values on the Consolidated Statements of Financial Position at the reporting date.

Credit risk on cash and cash equivalents is considered to be minimal, as Nalcor’s cash deposits are held by a Canadian Schedule 1 Chartered bank with a rating of A+ (Standard and Poor’s). Credit risk on restricted cash is considered to be minimal, as Nalcor’s restricted cash deposits are held by a Canadian Schedule 1 Chartered bank with a rating of AA-

(Standard and Poor's). Credit risk on short-term investments is minimized by limiting holdings to high-quality, investment grade securities issued by the Federal and Provincial governments, as well as BAs and term deposits issued by Canadian Schedule 1 Chartered banks.

Credit exposure on Nalcor's sinking funds is limited by restricting the holdings to long-term debt instruments issued by the Government of Canada or any province of Canada, crown corporations and Canadian Schedule 1 Chartered banks. The following credit risk table provides information on credit exposures according to issuer type and credit rating for the remainder of the sinking funds portfolio:

	Issuer Credit Rating	Fair Value of Portfolio (%)	Issuer Credit Rating	Fair Value of Portfolio (%)
	2014		2013	
Provincial Governments	**AA- to AAA**	**5.49%**	AA- to AAA	3.29%
Provincial Governments	**A -to A+**	**40.86%**	A- to A+	38.31%
Provincially Owned Utilities	**AA- to AAA**	**22.57%**	AA- to AAA	16.47%
Provincially Owned Utilities	**A- to A+**	**29.10%**	A- to A+	39.09%
Canadian Schedule 1 Bank	**AA- to AAA**	**-**	AA- to AAA	0.98%
Canadian Schedule 1 Bank	**A- to A+**	**1.98%**	A- to A+	1.86%
Provincially Owned Utilities	**BBB+**	**-**	BBB+	-
		100.00%		100.00%

Credit exposure on the reserve fund is mitigated by adhering to an investment policy which restricts the holdings to long-term debt instruments issued or guaranteed by the Government of Canada or any province of Canada. Investments in the long-term debt instruments of Canadian banks are also permitted, provided the bank is rated A or higher by Standard and Poor's. With the exception of the Government of Canada, holdings of any one issuer are limited to 10.0% of the total principal amount of the portfolio. The following credit risk table provides information on credit exposures according to issuer type and credit rating for the reserve fund:

	Issuer Credit Rating	Fair Value of Portfolio (%)	Issuer Credit Rating	Fair Value of Portfolio (%)
	2014		2013	
Provincial Governments	**AA- to AAA**	**-**	AA- to AAA	8.94%
Canadian Schedule 1 or 2 Banks	**AA- to AAA**	**9.14%**	AA- to AAA	16.70%
Provincial Governments	**A- to A+**	**29.28%**	A- to A+	21.25%
Provincially Owned Utilities	**AA- to AAA**	**2.10%**	AA- to AAA	9.09%
Provincially Owned Utilities	**A- to A+**	**9.15%**	A- to A+	6.06%
Canadian Schedule 1 Bank	**A- to A+**	**50.33%**	A- to A+	37.96%
		100.00%		100.00%

Credit exposure on Nalcor's long-term investments is considered to be limited as the structured deposit notes are held by a Canadian Schedule 1 Chartered bank with a rating of AA- (Standard and Poor's). The following credit risk table provides information on credit exposures according to issuer type and credit rating for the long-term investments:

	Issuer Credit Rating	Fair Value of Portfolio (%)	Issuer Credit Rating	Fair Value of Portfolio (%)
	2014		2013	
Schedule 1 Canadian Banks	**AA-**	**100.00%**	AA-	100.00%

Credit exposure on derivative assets is limited by the Financial Risk Management Policy, which restricts available counterparties for hedge transactions to Canadian Schedule 1 Chartered banks and Federally Chartered US banks.

Nalcor does not have any significant amounts that are past due and uncollectable, for which a provision has not been recognized at December 31, 2014.

Liquidity Risk

Nalcor is exposed to liquidity risk with respect to its contractual obligations and financial liabilities, including any derivative liabilities related to hedging activities. Liquidity risk management is aimed at ensuring cash is available to meet those obligations as they become due.

Short-term liquidity for Nalcor and its subsidiaries is mainly provided through cash and cash equivalents on hand, funds from operations and an operating credit facility which Nalcor maintains with its banker. During April 2014, Nalcor converted its $250.0 million (2013 - $250.0 million) unsecured demand operating credit facility to a $250.0 million committed revolving term credit facility, with a maturity date of January 31, 2016. There were no amounts drawn on this facility at December 31, 2014 (2013 - $nil). In addition, Hydro has access to a $300.0 million promissory note program and a $50.0 million (2013 - $50.0 million) unsecured demand operating credit facility. Oil and Gas and Churchill Falls also maintain demand operating facilities of $5.0 million (2013 - $5.0 million) and $10.0 million (2013 - $10.0 million), respectively. Churchill Falls maintains a $16.0 million minimum cash balance.

Liquidity risk for Muskrat Falls and Transco is considered to be minimal, as both companies can access the funds drawn down from the Muskrat/LTA construction facility for the payment of construction costs as well as interest payments. The LIL LP has access to the funds drawn down from the LIL construction facility for the payment of construction costs as well as interest payments.

Long-term liquidity risk for Nalcor is managed by the issuance of a portfolio of debentures with maturity dates ranging from 2016 to 2045. Sinking funds have been established for these issues, with the exception of the issues maturing in 2016 and 2045. For Churchill Falls, long-term liquidity risk is managed by maintenance of the reserve fund in accordance with the June 1999 Shareholders' Agreement and a dividend management policy that meets long-term liquidity requirements associated with Churchill Falls' capital expenditure program.

The following are contractual maturities of Nalcor's financial liabilities, including principal and interest as at December 31, 2014:

(millions of Canadian dollars)	**< 1 Year**	**1-3 Years**	**3-5 Years**	**> 5 Years**	**Total**
Trade and other payables	672.1	-	-	-	672.1
Short-term borrowings	53.0	-	-	-	53.0
Long-term debt	8.4	385.3	13.3	5,893.3	6,300.3
Interest	275.0	530.1	499.9	5,136.2	6,441.2
Class B partnership units	-	-	73.2	6.2	79.4
Long-term payables	-	28.5	20.4	38.4	87.3
	1,008.5	943.9	606.8	11,074.1	13,633.3

Market Risk

In the course of carrying out its operating, financing and investing activities, Nalcor is exposed to possible market price movements that could impact expected future cash flow and the carrying value of certain financial assets and liabilities. Market price movements to which Nalcor has significant exposure include those relating to prevailing interest rates, foreign exchange rates, most notably USD/CAD, and current commodity prices, most notably the spot prices for diesel fuel, electricity, No. 6 fuel and oil. These exposures are addressed as part of the Financial Risk Management Strategy.

Interest Rates

Changes in prevailing interest rates will impact the fair value of financial assets and liabilities classified as held for trading or available-for-sale, which includes Nalcor's cash and cash equivalents, short-term investments, sinking funds and reserve fund. Expected future cash flows associated with those financial instruments can also be impacted. The impact of a 0.5% change in interest rates on net income and other comprehensive income associated with cash and cash equivalents, debt and short-term debt was negligible throughout 2014 due to the short time period to maturity.

The table below shows the impact of a 50 basis point change in interest rates on profit and other comprehensive income associated with the sinking funds, reserve fund, long-term investments and short-term investments at the Statement of Financial Position date:

	Other Comprehensive Income	
(millions of Canadian dollars)	**0.5% Decrease**	**0.5% Increase**
Interest on sinking funds	16.3	(10.0)
Interest on reserve fund	0.8	0.1
	17.1	(9.9)

The impact of interest rates on the expected future cash outflows related to short-term debt, which includes promissory notes and banker's acceptances issued under Nalcor's credit lines and long-term debt, are managed within the corporate financing strategy, whereby floating rate debt exposures and interest rate scenarios are forecast and evaluated. A diversified portfolio of fixed and floating rate debt is maintained and managed with a view to an acceptable risk profile. Key quantitative parameters for interest rate risk management includes the percentage of floating rate debt in the total debt portfolio, coupled with an examination of the weighted average term to maturity of the entire debt portfolio. By setting clear guidelines in respect to these quantitative parameters, Nalcor attempts to minimize the likelihood of a material impact on net income resulting from an unexpected change in interest rates.

Foreign Currency and Commodity Exposure
Nalcor's primary exposure to both foreign exchange and commodity price risk arises from its purchases of No. 6 fuel for consumption at the HTGS, USD denominated electricity sales, rental revenues and the sale of crude oil. For the purchase of No.6 fuel oil, these risks are mitigated through the operation of the RSP. Exposures to USD denominated electricity sales are addressed in accordance with the Board-approved Financial Risk Management Policy. Tactics include the use of forward rate agreements and fixed price commodity swaps.

During 2014, total electricity sales denominated in USD were $56.4 million (2013 - $54.7 million). In 2014, Hydro mitigated foreign exchange risk on these sales through the use of foreign currency forward contracts. In December of 2013, Hydro entered into a series of 12 monthly foreign exchange forward contracts with a notional value of $38.5 million USD to hedge foreign exchange risk on a portion of Hydro's planned USD electricity sales for the year. These contracts had an average exchange rate of $1.08 CAD per USD. In December 2013, Hydro also entered into a series of 12 electricity price forward contracts with a notional value of $14.2 million USD. The average price of these contracts was USD $38.74 per MWh (On Peak) and USD $28.42 per MWh (Off Peak). During 2014, $2.2 million losses from these derivative contracts was recognized in other income and expense (2013 - $0.2 million loss).

In December of 2014, Hydro entered into a series of 12 electricity price forward contracts with a notional value of $32.5 million USD. The average price of these contracts was USD $43.60 per MWh (On Peak) and USD $30.10 per MWh (Off Peak). As at December 31, 2014, the fair value of the derivative asset was $2.7 million (2013 - $0.2 million) and the derivative liability was $0.2 million (2013 - $0.4 million) as presented on the Statement of Financial Position. During 2014, $2.6 million in unrealized gains from these contracts was included in other income and expense (2013 - $nil).

In December of 2014, Energy Marketing entered into a series of twelve monthly foreign exchange forward contracts with a notional value of $41.8 million USD to hedge foreign exchange risk on a portion of planned USD electricity sales to the end of 2015. These contracts have an average exchange rate of $1.14 CAD per USD. At December 31, 2014, $0.9 million losses from these derivative contracts were recognized in other income and expense. The related electricity price forward contracts for 2015 were entered into by Hydro, as Energy Marketing does not yet have the required International Swaps and Derivatives Association (ISDA) Master Agreements in place with its banks.

During 2014, total oil sales denominated in USD were $67.1 million (2013 - $73.0 million). While Oil and Gas had exposure to fluctuations in the USD/CAD exchange rate on those sales, a significant portion of Oil and Gas' planned capital expenditures for 2014 were denominated in USD, which mitigated this exposure. Furthermore, in December 2013, Oil and Gas entered into a series of 12 commodity price swap contracts USD to mitigate commodity price exposure on energy sales. These contracts had a notional value of USD $31.9 million and provided an average fixed price of $106.75 per barrel on approximately 36.0% of estimated production for 2014. During 2014, $3.0 million in gains from these contracts were included in other income and expense (2013 - $0.8 million loss).

On October 31, 2014, Oil and Gas entered into a series of 12 commodity price swaps to mitigate commodity price exposure in 2015. These contracts have a notional value of $22.6 million USD and provide an average fixed price of $87.44 USD per barrel on 26% of the budgeted production for 2015. During 2014, $7.8 million in unrealized gains from these contracts was included in other comprehensive income (2013 - $nil).

During 2014, total rental revenues at Bull Arm Fabrication denominated in USD were $16.1 million (2013 - $16.1 million). In January 2014, Bull Arm Fabrication entered into a total of 11 forward contracts with a notional value of US $11.7 million to mitigate USD/CAD currency exposure on a portion of its USD denominated lease revenues. These contracts provided Bull Arm Fabrication with an average fixed exchange rate of $1.09 CAD per USD. Combined with the hedges in place as of December 31, 2013, 94% of the expected USD lease revenue for 2014 was hedged, at a weighted average fixed exchange rate of $1.07 CAD per USD. During 2014, $0.3 million in gains from these contracts was included in other income and expense (2013 - $0.3 million loss).

In December 2014, Bull Arm Fabrication entered into a total of 12 forward contracts with a notional value of US $18.2 million, with settlement dates ranging from February 3, 2015 to January 4, 2016. These forward contracts mitigate USD/CAD currency exposure on 92% of expected USD lease revenues for 2015 with an average fixed exchange rate of $1.14 USD per CAD, and one month of expected lease revenue for 2016, with a fixed exchange rate of $1.15 CAD per USD. During 2014, $0.4 million in unrealized losses from these contracts was included in other comprehensive income (2013 - $nil).

25.3 Hedge Accounting

In December 2013, Muskrat Falls entered into nine bond forward contracts totaling $2.0 billion to hedge the interest rate risk on its long-term debt issue. These contracts were designated as part of a cash flow hedging relationship and the resulting loss of $14.1 million was recorded as $12.3 million in other comprehensive income with $1.8 million of ineffectiveness recognized immediately in other income and expense. The loss recorded in other comprehensive income will be recognized in profit or loss over the same period as the related debt instruments which mature between 2029 and 2048.

26. RELATED PARTY TRANSACTIONS

Nalcor enters into various transactions with its parent and other affiliates. These transactions occur within the normal course of operations and are measured at the exchange amount, which is the amount of consideration agreed to by the related parties. Related parties with which Nalcor transacts are as follows:

Related Party	Relationship
The Province	100% shareholder of Nalcor Energy
Churchill Falls	Joint arrangement of Hydro
Twin Falls	Joint venture of Churchill Falls
The Churchill Falls (Labrador) Corporation Trust	Created by the Province with Churchill Falls as the beneficiary
LIL LP	Partnership in which Nalcor holds 75 Class A Partnership Units
PUB	Agency of the Province

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms.

(a) Hydro has received funding from the Province for wind feasibility studies in Labrador. As at December 31, 2014, \$0.7 million (2013 - \$0.7 million) has been recorded in deferred credits.

(b) Hydro is required to contribute to the cost of operations of the PUB as well as the cost of hearings and applications costs. During 2014, Hydro incurred \$3.1 million (2013 - \$0.6 million) in costs related to the PUB of which \$2.4 million (2013 - \$0.2 million) was included in accounts payable and accrued liabilities.

(c) The debt guarantee fee for 2014 was \$3.7 million (2013 - \$3.7 million). It was paid in advance to the Province in March 2014.

(d) Under the terms of the Lease and amendments thereto, Churchill Falls is required to pay the Province an annual rental of 8% of the consolidated net profits before income taxes, as defined in the Lease, and an annual royalty of \$0.50 per horsepower year generated, as defined in the Lease. At December 31, 2014, \$4.7 million (2013 - \$5.6 million) was payable to the Province.

(e) As at December 31, 2014, Hydro has purchased \$27.9 million (2013 - 29.6 million) of power generated from assets related to Exploits, which are held by the Province.

(f) On February 3, 2010, the Province established the Trust with Churchill Falls as the beneficiary. The purpose of this trust is to fund the external costs and expenses incurred in relation to the motion filed by Churchill Falls seeking a modification to the pricing terms of the 1969 Power Contract. To date, \$4.8 million (2013 - \$3.8 million) has been received and \$0.2 million (2013 - \$0.8 million) has been accrued as receivable from the Trust.

(g) As a result of a sub-lease between Churchill Falls and Twin Falls, certain rights were suspended by Churchill Falls effective June 30, 1974 with the result that Churchill Falls diverted the flow of water from the Twin Falls plant and used the facilities of Twin Falls as required. In consideration for this suspension of rights, Churchill Falls was required to deliver to Twin Falls, during the unexpired term of the sub-lease, horsepower equivalent to the installed horsepower of the Twin Falls plant. Twin Falls was obliged to purchase this power for an amount equal to the average annual cost of operating the Twin Falls plant for the five year period ended March 31, 1974. In addition, Twin Falls was required to pay annually to Churchill Falls a rental amounting to \$305,000 and \$1.40 per installed horsepower. Twin Falls also paid to Churchill Falls an annual royalty of \$0.50 per horsepower year generated, as defined, all calculated as though the power delivered by Churchill Falls to Twin Falls had been generated in the Twin Falls plant. The sub-lease expired December 31, 2014.

(h) Total funding received under the Petroleum Exploration Enhancement Program (PEEP) was \$4.5 million over five years. There was no funding provided in 2014 or 2013. Included in deferred credits at year end is a balance of \$1.2 million (2013 - \$1.6 million) in respect of funding received.

(i) Total funding received under the Offshore Geoscience Data Project (OGDP) was $14.3 million over four years. In 2014, funding of $0.5 million was received from the Province (2013 - $1.5 million). Included in deferred credits at year end is a balance of $2.5 million (2013 - $2.6 million) in respect of funding received.

26.1 Key Management Personnel

Compensation for key management personnel, which Nalcor defines as its executives who have the primary authority and responsibility in planning, directing and controlling the activities of the entity, includes compensation for senior executives. Salaries and employee benefits include base salaries, performance contract payments, vehicle allowances and contributions to employee benefit plans. Post-employment benefits include contributions to the Province's Public Service Pension Plan.

For the year ended December 31 (millions of Canadian dollars)	**2014**	2013
Salaries and employee benefits	**3.4**	3.2
Post-employment benefits	**0.2**	0.2
	3.6	3.4

27. COMMITMENTS AND CONTINGENCIES

(a) Nalcor has received claims instituted by various companies and individuals with respect to power delivery claims and other miscellaneous matters. Although the outcome of such matters cannot be predicted with certainty, Management believes that Nalcor's exposure to such claims and litigation, to the extent not covered by insurance policies or otherwise provided for, is not expected to materially affect its financial position.

(b) Outstanding commitments for capital projects total approximately $3,740.7 million as at December 31, 2014 (2013 - $2,424.6 million).

(c) Hydro has entered into a number of long-term power purchase agreements as follows:

Type	Rating	In-service Date	Term
Hydroelectric	175 kW	1988	Continual
Hydroelectric	3 MW	1995	25 years
Hydroelectric	4 MW	1998	25 years
Hydroelectric	300 MW	1998	43 years
Hydroelectric	225 MW	2015	25.5 years
Cogeneration	15 MW	2003	20 years
Wind	390 kW	2004	15 years
Wind	300 kW	2010	Continual
Wind	27 MW	2008	20 years
Wind	27 MW	2009	20 years

Estimated payments due in each of the next five years are as follows:

(millions of dollars)	2015	2016	2017	2018	2019
Power purchases	70.5	71.0	71.0	72.0	72.8

(d) Hydro has issued one irrevocable letter of credit to the Department of Fisheries and Oceans in the amount of $0.3 million as a performance guarantee in relation to the Fish Habitat Compensation Agreement.

(e) Hydro has entered into power sales agreements with third parties. To facilitate market access, Hydro had entered into a transmission service agreement with Hydro-Québec TransEnergie which concludes in 2024.

The transmission rental payments for the next five years are estimated to be as follows:

2015	$19.8 million
2016	$20.0 million
2017	$20.2 million
2018	$20.4 million
2019	$20.6 million

(f) Hydro has received Phase I funding, in the amount of $3.0 million, from the Atlantic Canada Opportunities Agency (ACOA) in relation to a wind-hydrogen-diesel research development project in the community of Ramea. In 2014, Hydro entered into a new funding agreement for Phase II of the project for $2.3 million. This funding is repayable in annual installments of $25,000 per commercial implementation of the resulting product. As at December 31, 2014 there have been no commercial implementations.

(g) In 2014, Hydro entered into three Capacity Assistance Agreements, one with Vale Newfoundland & Labrador Limited (Vale) and two with Corner Brook Pulp and Paper Limited (CBPP) for the purchase of relief up to 15.8 MW, 60 MW and 30 MW, respectively, during the winter period. The supply period defined in the agreements is from December 1 to March 31 of each year, concluding March 2018. Payment for services will be dependent on the successful provision of capacity assistance for the winter period by Vale and CBPP.

(h) In 2014, Hydro entered into a six-month lease with Twin Falls Power Corporation Limited and Wabush Resources Inc. to access a terminal station located on land owned by Wabush Mines. This lease is for a six-month period beginning in January 2015.

(i) On February 23, 2010, Churchill Falls filed a motion against Hydro-Québec in Québec Superior Court. The motion was seeking a modification to the pricing terms of the 1969 Power Contract as of November 30, 2009. On July 24, 2014, Churchill Falls received judgment from the Québec Superior Court which ruled against Churchill Falls. Churchill Falls is appealing the decision and on August 26, 2014 filed an Inscription in Appeal with the Québec Court of Appeal.

(j) In July 2013, Hydro-Québec filed a Motion for Declaratory Judgment (the Motion) in Québec Superior Court relating to the interpretation of the 1969 Power Contract between Churchill Falls and Hydro-Québec and the clarification of certain terms and obligations of the parties under the Renewed Power Contract with Hydro-Québec, which commences in 2016. Churchill Falls has filed a Defense to the Motion and the trial is scheduled to take place in the fall of 2015.

(k) Oil and Gas has the following capital and operating commitments as a result of its joint venture partnerships in the Hebron, Hibernia Southern Extension and White Rose projects:

2015	$112.1 million
2016	$ 75.6 million
2017	$ 22.6 million
2018	$ 3.8 million
2019	$ 3.5 million

28. CAPITAL MANAGEMENT

Nalcor's principal business requires ongoing access to capital in order to maintain assets and ensure the continued delivery of safe and reliable service to its customers. Nalcor also requires access to capital to fund its various development activities relating to Oil and Gas and the Lower Churchill Project. Therefore, Nalcor's primary objective when managing capital is to ensure ready access to capital at a reasonable cost, to minimize its cost of capital within the confines of established risk parameters, and to safeguard Nalcor's ability to continue as a going concern.

The capital managed by Nalcor is comprised of debt (long-term debentures, promissory notes, bank credit facilities and short-term borrowings) and equity (share capital, contributed capital, reserves and retained earnings).

A summary of the consolidated capital structure is outlined below:

(millions of dollars)	**December 31 2014**		December 31 2013		January 1 2013	
Debt						
Long-term debt	**6,240.5**		6,047.9		1,125.9	
Short-term borrowings	**53.0**		41.0		125.0	
Current portion of long-term debt	**8.4**		82.2		8.2	
Sinking funds	**(268.6)**		(303.3)		(302.8)	
	6,033.3	**68.9%**	5,867.8	72.1%	956.3	38.9%
Equity						
Share capital	**122.5**		122.5		122.5	
Shareholder contributions	**1,469.1**		1,141.8		435.8	
Reserves	**(15.8)**		(27.1)		(2.0)	
Retained earnings	**1,146.2**		1,030.6		942.9	
	2,722.0	**31.1%**	2,267.8	27.9%	1,499.2	61.1%
Total Debt and Equity	**8,755.3**	**100.0%**	8,135.6	100.0%	2,455.5	100.0%

Nalcor's committed operating facility has covenants restricting the issuance of debt such that the unconsolidated debt to total capitalization ratio cannot exceed 70.0%. The covenants further stipulate that the debt service coverage ratio should at all times be greater than 1.5 on an unconsolidated basis. As at December 31, 2014, Nalcor was in compliance with these covenants.

28.1 Hydro

Hydro's approach to capital management encompasses various factors including monitoring the percentage of floating rate debt in the total debt portfolio, the weighted average term to maturity of its overall debt portfolio, its percentage of debt to debt plus equity and its interest coverage.

For the regulated portion of Hydro's operations, Management targets a capital structure comprised of 75% debt and 25% equity, a ratio which Management believes to be optimal with respect to its cost of capital. This capital structure is maintained by a combination of dividend policy, contributed equity and debt issuance. The issuance of any new debt with a term greater than one year requires prior approval of the PUB.

Legislation stipulates that the total of the short-term loans issued by Hydro and outstanding at any time shall not exceed a limit as fixed by the Lieutenant-Governor in Council. Short-term loans are those loans issued with a term not exceeding two years. The current limit is set at $300.0 million. There was $53.0 million outstanding as at December 31, 2014 (2013 - $41.0 million). Issuance of long-term and short-term debt by Hydro is further restricted by Bill C-24, an amendment to the Newfoundland and Labrador Hydro Act of 1975. The Bill effectively limits Hydro's total borrowings, which includes both long and short-term debt, to $1.6 billion at any point in time.

28.2 Oil and Gas

Oil and Gas' objective when managing capital is to maintain its ability to fund operating costs and expenditures related to development and production assets, on a timely basis. Oil and Gas maintains an unsecured demand credit facility, which is used to finance operations in the short-term. Long-term capital includes share capital, shareholder contributions and retained earnings. Oil and Gas' future requirements for capital are expected to increase, as construction begins on new development assets. During this time, it is expected that Oil and Gas' cash from operations will be sufficient to fund a portion of its capital needs. Additional requirements will be funded entirely through shareholder contributions.

28.3 Bull Arm

Bull Arm Fabrication's objective when managing capital is to maintain its ability to continue as a going concern. The focus of the capital management policy is to provide flexibility to ensure cash continues to be available to satisfy capital requirements. Prior to January 2009, net earnings received were payable to the Province. From January 2009 to December 2012, earnings were retained by Bull Arm Fabrication. In 2013, Bull Arm Fabrication implemented its Board approved dividend policy of paying dividends to Nalcor when cash balances exceed $1.0 million, an amount which would provide coverage for approximately 12 months of operating expenses assuming no cash inflows.

28.4 Churchill Falls

Churchill Falls' objective when managing capital is to maintain its ability to continue as a going concern. Churchill Falls' requirements for capital in the future are expected to increase, coincident with the aging of the plant and related infrastructure and the execution of the long-term asset management plan. The focus of the capital management policy is to provide flexibility to ensure cash continues to be available to satisfy capital requirements. Managing the level of dividend payments is a key aspect of ensuring the availability of funding to maintain the plant and infrastructure.

At present, the capital position of Churchill Falls is comprised entirely of equity capital (issued capital, shareholder contributions, reserves and retained earnings). The capital structure is adjusted through the amount of dividends paid to shareholders.

28.5 Muskrat Falls

Long-term capital includes long-term debt, share capital, contributed capital and retained earnings. Muskrat Falls' objectives when managing capital are to maintain its ability to continue as a going concern and to ensure timely payment of its contractual obligations as they relate to the construction of the Muskrat Falls hydroelectric plant. Muskrat Falls' future requirements for capital are expected to continue to increase commensurate with progress on construction. During this time, proceeds from the construction facility and contributed capital will be sufficient to fund the development of the Muskrat Falls hydroelectric plant.

28.6 Transco

Long-term capital includes long-term debt, share capital, contributed capital and retained earnings. Transco's objectives when managing capital are to maintain its ability to continue as a going concern and to ensure timely payment of its contractual obligations as they relate to the construction of the Labrador Transmission Assets. Transco's future requirements for capital are expected to continue to increase commensurate with progress on the construction. During this time, proceeds from the construction facility and contributed capital will be sufficient to fund the development of the Labrador Transmission Assets.

28.7 LIL LP

The capital position of the LIL LP is comprised of partner capital (issued units, cash calls and retained earnings) and long-term debt. The capital structure is adjusted through distributions paid to Limited Partners.

The LIL LP's objective when managing capital is to maintain its ability to continue as a going concern and fund the construction of the LIL. The LIL LP's requirements for capital in the future are expected to increase, coincident with the development of the LIL. The focus of the capital management policy is to provide flexibility to ensure cash continues to be available to satisfy capital requirements. Managing cash calls from the limited partners is a key aspect of ensuring the availability of funding to proceed with the development of the LIL.

29. SUPPLEMENTARY CASH FLOW INFORMATION

(millions of Canadian dollars)	**2014**	2013
Trade and other receivables	**(99.4)**	(25.1)
Prepayments	**(10.2)**	(15.6)
Inventories	**(21.9)**	(13.2)
Trade and other payables	**260.4**	230.7
Changes in non-cash working capital balances	**128.9**	176.8
Interest received	**35.8**	3.4
Interest paid	**272.2**	91.6

30. SEGMENT INFORMATION

Nalcor operates in seven business segments. Hydro regulated activities encompasses sales of electricity to customers within the Province. Churchill Falls operates a hydroelectric generating facility which sells electricity to Hydro-Québec, Hydro and industrial customers in Labrador. Oil and Gas activities include exploration, development, production, transportation and processing sectors of the oil and gas industry. Energy Marketing includes the sale of electricity to markets outside the province and other non-regulated electricity sales. Corporate and other activities encompass development activities including Phase 2 of the Lower Churchill Project and corporate activities. Phase 1 of the Lower Churchill Project includes investments in the Muskrat Falls hydroelectric plant, the Labrador-Island Link and the Labrador Transmission Assets. Bull Arm Fabrication consists of an industrial fabrication site which is leased for major construction of development projects. The segments' accounting policies are the same as those described in Note 2 of these consolidated financial statements. The designation of segments has been based on a combination of regulatory status and management accountability. The segments' accounting policies are the same as those previously described in Note 2.

(millions of Canadian dollars)	Hydro Regulated	Churchill Falls	Oil and Gas	Energy Marketing	Bull Arm Fabrication	Phase 1 Lower Churchill Project	Corporate and Other Activities	Inter-Segment	Total
				For the year ended December 31, 2014					
Revenue									
Energy sales	549.4	71.9	64.1	74.1	-	-	0.1	(4.0)	755.6
Other revenue	2.2	1.0	15.3	1.5	17.8	-	-	2.7	40.5
	551.6	72.9	79.4	75.6	17.8	-	0.1	(1.3)	796.1
Expenses									
Fuels	(268.1)	-	-	-	-	-	-	-	(268.1)
Power purchased	(63.8)	-	-	(8.5)	-	-	-	4.0	(68.3)
Operating costs	(139.1)	(41.4)	(21.6)	(27.6)	(1.0)	(2.3)	(14.5)	-	(247.5)
Depreciation and depletion	(56.0)	(13.8)	(22.5)	-	-	-	(0.4)	-	(92.7)
Exploration and evaluation	-	-	(1.2)	-	-	-	-	-	(1.2)
Net finance income and expense	(74.2)	1.2	-	(1.0)	(0.6)	(0.1)	2.7	-	(72.0)
Other income and expense	0.9	(1.8)	3.0	(0.5)	1.1	-	(0.1)	-	2.6
Share of profit of joint venture	-	0.4	-	-	-	-	-	-	0.4
Preferred dividends	-	2.7	-	-	-	-	-	(2.7)	-
(Loss) profit before regulatory adjustments	(48.7)	20.2	37.1	38.0	17.3	(2.4)	(12.2)	-	49.3
Regulatory adjustments	66.3	-	-	-	-	-	-	-	66.3
Profit (loss) for the year	17.6	20.2	37.1	38.0	17.3	(2.4)	(12.2)	-	115.6
Capital expenditures*	208.5	33.0	237.5	1.4	-	1,536.7	4.8	-	2,021.9
Total assets	2,159.3	498.2	800.9	8.3	3.7	6,555.6	625.2	(8.1)	10,643.1

***Capital expenditures include non-cash additions of $238.3 million related to the Maritime Link and $6.4 million related to Class B Limited Partnership Unit accrued interest.**

(millions of Canadian dollars)	Hydro Regulated	Churchill Falls	Oil and Gas	Energy Marketing	Bull Arm Fabrication	Phase 1 Lower Churchill Project	Corporate and Other Activities	Inter-Segment	Total
	For the year ended December 31, 2013								
Revenue									
Energy sales	543.1	75.6	72.2	68.2	-	-	0.3	(4.1)	755.3
Other revenue	2.5	1.0	6.1	-	16.6	-	0.2	3.2	29.6
	545.6	76.6	78.3	68.2	16.6	-	0.5	(0.9)	784.9
Expenses									
Fuels	(190.9)	-	-	-	-	-	-	-	(190.9)
Power purchased	(59.4)	-	-	(7.7)	-	-	-	4.1	(63.0)
Operating costs	(113.0)	(41.3)	(19.1)	(26.7)	(0.9)	(0.2)	(10.8)	-	(212.0)
Depreciation and depletion	(51.3)	(13.0)	(25.1)	-	(0.1)	-	(0.4)	-	(89.9)
Exploration and evaluation	-	-	(7.4)	-	-	-	-	-	(7.4)
Net finance income and expense	(74.3)	1.5	0.3	(0.3)	0.1	-	(1.1)	-	(73.8)
Other income and expense	0.9	(1.3)	(0.8)	(0.2)	(0.2)	(1.8)	(0.1)	-	(3.5)
Share of profit of joint venture	-	0.4	-	-	-	-	-	-	0.4
Preferred dividends	-	3.2	-	-	-	-	-	(3.2)	-
Profit (loss) before regulatory adjustments	57.6	26.1	26.2	33.3	15.5	(2.0)	(11.9)	-	144.8
Regulatory adjustments	(57.1)	-	-	-	-	-	-	-	(57.1)
Profit (loss) for the year	0.5	26.1	26.2	33.3	15.5	(2.0)	(11.9)	-	87.7
Capital expenditures	86.6	32.5	184.7	0.4	-	726.7	6.5	-	1,037.4
Total assets	1,959.6	486.0	548.3	6.6	3.6	6,080.9	447.6	(8.9)	9,523.7

*Capital expenditures include non-cash additions of $46.7 million related to the Maritime Link and $5.3 million related to Class B Limited Partnership Unit accrued interest.

31. EXPLANATION OF TRANSITION TO IFRS

Nalcor adopted IFRS as of January 1, 2014, with the date of transition effective January 1, 2013. Prior to the adoption of IFRS, Nalcor prepared its annual audited consolidated financial statements in accordance with Canadian Generally Accepted Accounting Principles (GAAP).

These annual audited consolidated financial statements have been prepared with the accounting policies described in Note 2 and in accordance with the existing IFRS with an effective date of December 31, 2014. Related comparatives have also been prepared under IFRS effective at January 1, 2013. In preparing its opening IFRS Statement of Financial Position, Nalcor has adjusted amounts reported previously in financial statements prepared in accordance with GAAP. An explanation of how the transition from GAAP to IFRS has affected Nalcor's financial position, financial performance and cash flow is set out in the following tables and the notes that accompany the tables.

IFRS 1 sets out the guidance for first time adoption of IFRS. Under IFRS 1, the standards are applied retrospectively at the date of transition unless certain exceptions are applied.

The following mandatory IFRS exceptions were applied at the transition date:

Estimates
Hindsight was not used to create or revise estimates. The estimates previously made by Nalcor under GAAP are consistent with their applications under IFRS.

Classification and Measurement of Financial Assets
Nalcor has not retroactively applied the derecognition requirements in IFRS 9 occurring on or after the transition date.

The following optional IFRS exceptions were applied at the transition date:

Property, plant and equipment – deemed cost
Prior to transition to IFRS, the carrying amount of property, plant and equipment included amounts that were determined through rate regulated guidance. On transition to IFRS, Nalcor's subsidiary, Hydro, elected to use the carrying amount of property, plant and equipment as the deemed cost at January 1, 2013. The decommissioning liabilities are not exempt from IFRS 1 and were adjusted to reflect their IFRS cost.

Borrowing Costs
Nalcor's subsidiary, Hydro, has elected to apply the transitional exemption allowing the borrowing costs to be capitalized prospectively from the date of transition.

31.1 Reconciliation of Equity

		January 1, 2013			December 31, 2013		
(millions of Canadian dollars)	**Notes**	**Previous GAAP**	**Effect of Transition to IFRS**	**IFRS**	**Previous GAAP**	**Effect of Transition to IFRS**	**IFRS**
ASSETS							
Current assets							
Cash and cash equivalents	a	12.1	(0.2)	11.9	94.0	(0.3)	93.7
Restricted cash		-	-	-	525.5	-	525.5
Short-term investments	a	11.5	(0.5)	11.0	1.7	(0.7)	1.0
Trade and other receivables	a	125.0	(0.3)	124.7	150.2	(0.4)	149.8
Current portion of regulatory assets	i	2.2	(2.2)	-	2.2	(2.2)	-
Current portion of sinking funds		-	-	-	65.4	-	65.4
Prepayments		5.6	-	5.6	11.6	-	11.6
Inventories	i	62.1	(0.1)	62.0	75.2	-	75.2
Derivative assets		0.1	-	0.1	0.2	-	0.2
Total current assets		218.6	(3.3)	215.3	926.0	(3.6)	922.4
Non-current assets							
Property, plant and equipment	a,b,c,d,e,f,g,i	2,435.0	367.4	2,802.4	3,204.3	538.3	3,742.6
Petroleum and natural gas properties	b,d,e	376.0	(376.0)	-	552.6	(552.6)	-
Investment property	b,c	-	1.1	1.1	-	1.1	1.1
Regulatory assets	i	62.8	(62.8)	-	62.2	(62.2)	-
Other long-term assets		354.5	-	354.5	314.7	-	314.7
Investment in joint arrangement	a	-	0.7	0.7	-	1.1	1.1
Long-term investments		-	-	-	4,477.4	-	4,477.4
Total non-current assets		3,228.3	(69.6)	3,158.7	8,611.2	(74.3)	8,536.9
Total assets		3,446.9	(72.9)	3,374.0	9,537.2	(77.9)	9,459.3
Regulatory deferrals	i	-	65.1	65.1	-	64.4	64.4
Total assets and regulatory deferrals		3,446.9	(7.8)	3,439.1	9,537.2	(13.5)	9,523.7

		January 1, 2013			December 31, 2013		
(millions of Canadian dollars)	**Notes**	**Previous GAAP**	**Effect of Transition to IFRS**	**IFRS**	**Previous GAAP**	**Effect of Transition to IFRS**	**IFRS**
LIABILITIES AND EQUITY							
Current liabilities							
Short-term borrowings		125.0	-	125.0	41.0	-	41.0
Trade and other payables	a	181.1	(0.1)	181.0	411.7	-	411.7
Current portion of long-term debt		8.2	-	8.2	82.2	-	82.2
Current portion of regulatory liabilities	i	169.0	(169.0)	-	214.0	(214.0)	-
Current portion of other liabilities	a,f	8.6	(0.1)	8.5	5.8	0.2	6.0
Derivative liabilities		-	-	-	1.5	-	1.5
Total current liabilities		491.9	(169.2)	322.7	756.2	(213.8)	542.4
Non-current liabilities							
Long-term debt		1,125.9	-	1,125.9	6,047.9	-	6,047.9
Class B partnership units		-	-	-	73.0	-	73.0
Regulatory liabilities	b,i	33.2	(33.2)	-	40.3	(40.3)	-
Deferred credits		45.0	-	45.0	93.5	-	93.5
Deferred contributions	b,f	-	9.9	9.9	-	10.7	10.7
Decommissioning liabilities	a,b,g	30.0	1.9	31.9	33.1	(0.1)	33.0
Employee benefits liability	h	73.6	46.3	119.9	81.4	37.1	118.5
Long-term payable		82.4	-	82.4	78.3	-	78.3
Total non-current liabilities		1,390.1	24.9	1,415.0	6,447.5	7.4	6,454.9
Total liabilities		1,882.0	(144.3)	1,737.7	7,203.7	(206.4)	6,997.3
Shareholder's Equity							
Share capital		122.5	-	122.5	122.5	-	122.5
Shareholder contributions		435.8	-	435.8	1,141.8	-	1,141.8
Reserves	a,h	43.6	(45.6)	(2.0)	10.6	(37.7)	(27.1)
Retained earnings	b,d,e,h	963.0	(20.1)	942.9	1,058.6	(28.0)	1,030.6
Total equity		1,564.9	(65.7)	1,499.2	2,333.5	(65.7)	2,267.8
Total liabilities and equity		3,446.9	(210.0)	3,236.9	9,537.2	(272.1)	9,265.1
Regulatory deferrals	i	-	202.2	202.2	-	258.6	258.6
Total liabilities, equity and regulatory deferrals		3,446.9	(7.8)	3,439.1	9,537.2	(13.5)	9,523.7

31.2 Reconciliation of Profit and Comprehensive Income for the Year Ended December 31, 2013

(millions of Canadian dollars)	Notes	Previous GAAP	Effect of Transition to IFRS	IFRS
Energy sales	a	756.0	(0.7)	755.3
Other revenue	a, f	28.8	0.8	29.6
Revenue		**784.8**	**0.1**	**784.9**
Fuels		(190.9)	-	(190.9)
Power purchased	a	(63.2)	0.2	(63.0)
Operating costs	a,h	(215.4)	3.4	(212.0)
Depreciation and depletion	a,b,d,e,f,g,i	(87.7)	(2.2)	(89.9)
Exploration and evaluation	d	-	(7.4)	(7.4)
Net finance income and expense	b,g	(72.5)	(1.3)	(73.8)
Other income and expense	a	(3.9)	0.4	(3.5)
Share of profit of joint venture	a	-	0.4	0.4
Profit for the year, before regulatory adjustments		**151.2**	**(6.4)**	**144.8**
Regulatory adjustments	h,i	(55.6)	(1.5)	(57.1)
Profit for the year, before regulatory adjustments		**95.6**	**(7.9)**	**87.7**
Other comprehensive income:				
Net change in fair value of available for sale financial instruments		(5.0)	-	(5.0)
Net change in fair value of derivatives designated as cash flow hedges		(12.3)	-	(12.3)
Net change in fair value of financial instruments reclassified to profit or loss		(15.7)	-	(15.7)
Net change in fair value of employee benefit liability	h	-	7.9	7.9
Total comprehensive income for the year		**62.6**	**-**	**62.6**

31.3 Reconciliation of Cash Flows for the Year Ended December 31, 2013

(millions of Canadian dollars)	Previous GAAP	Effect of Transition to IFRS	IFRS
Cash provided by (used in):			
Operating activities	441.3	(30.9)	410.4
Investing activities	(5,516.0)	28.9	(5,487.1)
Financing activities	5,156.6	1.9	5,158.5
Net increase in cash and cash equivalents	81.9	(0.1)	81.8

31.4 Notes to the Reconciliation

(a) Accounting for Joint Arrangements

Under GAAP, Nalcor accounted for its interests in subsidiaries in which it has joint control using proportionate consolidation. IFRS 11 requires joint arrangements to be classified as either joint operations or joint ventures. Hydro has determined that Churchill Falls is a joint operation and therefore accounts for the investment by recognizing its share of assets, liabilities and profit or loss in relation to its interest in the joint operation.

Churchill Falls holds 33.33% of the equity share capital of Twin Falls and is a party with other shareholders in a participation agreement which gives Churchill Falls joint control of Twin Falls. This arrangement is a joint venture and is accounted for using the equity method under IFRS 11, but was previously proportionately consolidated under GAAP. Under the equity method, the interest in the joint venture is carried in the Statements of Financial Position at cost plus post acquisition changes in Churchill Falls' share of net assets of the joint venture. The Statements of Profit and Comprehensive Income reflect the share of the profit or loss of the joint venture.

(b) Property, Plant and Equipment

Regulated Hydro

Prior to transition to IFRS, the carrying amount of property, plant and equipment included amounts that were determined through rate regulated guidance. On transition to IFRS, Hydro has elected to use the carrying amount of property, plant and equipment at its deemed cost at January 1, 2013.

Other Property, Plant and Equipment

Under GAAP, Nalcor allocated the cost of an item of property, plant and equipment to significant separable components only when practicable. IAS 16 requires that each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item be depreciated separately. Nalcor also reviewed replacement of major components to determine if assets replaced prior to the end of their useful life required derecognition under IFRS.

A reconciliation of the property, plant and equipment is as follows:

(millions of Canadian dollars)	December 31 2013	January 1 2013
Property, plant and equipment as reported under Canadian GAAP	3,204.3	2,435.0
Remove Twin Falls' property, plant and equipment	(0.1)	(0.1)
Reclassify Churchill Falls' contributions in aid of construction	9.7	10.1
Reclassify Hydro contributions in aid of construction	1.6	-
Reclassify insurance proceeds to regulatory deferrals	4.3	-
Revision of Hydro decommissioning liabilities	0.1	2.1
Revision of Oil & Gas decommissioning liabilities	(0.2)	(0.2)
Remove capitalized overhead	(1.6)	(1.6)
Revision of depletion policy	5.4	9.3
Remove pre-license exploration costs	(12.1)	(4.7)
Impairment of exploration and evaluation assets	(25.2)	(25.2)
Reclassify petroleum and natural gas properties	552.6	376.0
Reclassify investment property	(1.1)	(1.1)
Other property, plant and equipment adjustments	4.9	2.8
Property, plant and equipment as reported under IFRS	3,742.6	2,802.4

(c) Investment Property
Under GAAP, property held for the purpose of generating rental income or capital appreciation was included in property, plant and equipment. Under IFRS, such property is classified as investment property.

(d) Exploration and Evaluation Expenditures and Petroleum and Natural Gas Properties
Under GAAP, Nalcor employed the full cost method of accounting whereby all costs related to the acquisition, exploration for and development of petroleum and natural gas assets were capitalized. Under IFRS, pre-license exploration and evaluation costs are recognized in the Statements of Profit and Comprehensive Income as incurred. On January 1, 2013, upon transition to IFRS, $4.7 million of pre-license exploration and evaluation costs were recorded in retained earnings. As at December 31, 2013, the amount recorded in retained earnings was $12.1 million. Under IFRS, Nalcor recognized $7.4 million associated with exploration programs in exploration and evaluation expense for the year ended December 31, 2013.

In addition, exploration and evaluation assets are classified separately from property, plant and equipment subject to depletion and depreciation. Under GAAP, exploration and evaluation assets subject to impairment are included in the calculation of depletion. Under IFRS, such impaired exploration and evaluation assets are included in profit or loss in the period in which the impairment occurs. On January 1, 2013, upon transition to IFRS, $25.2 million of exploration and evaluation assets were determined to be impaired and were recorded in retained earnings.

(e) Depletion
Under Canadian GAAP, depletion of petroleum and natural gas properties was determined using cash flows and reserve estimates based on proved reserves. Under IFRS, entities may select to determine depletion using either proved reserves or proved and probable reserves. Nalcor has selected a policy of calculating depletion using cash flows and reserve estimates based on proved and probable reserves. On January 1, 2013, the selected policy resulted in a decrease in accumulated depletion of $9.3 million. As at December 31 2013, the policy change resulted in a decrease in accumulated depletion of $5.4 million. The selected policy resulted in an increase of $3.9 million in depletion for the year ended December 31, 2013.

(f) Contributions in Aid of Construction
Under GAAP, Nalcor recorded contributions in aid of construction as a reduction to the carrying value of property, plant and equipment. IFRIC 18 and IAS 18 requires contributions to be recorded as revenue with the unearned portion recorded as deferred contributions and amortized to profit or loss as earned.

(g) Decommissioning Liabilities
Under GAAP, decommissioning liabilities were measured based upon the estimated futures cash flows required to settle the obligation, discounted using the credit-adjusted risk-free rate upon recognition. Subsequent measurement reflected changes to estimated timing and amount of cash flows, but not changes to the discount rate. Under IFRS, decommissioning liabilities are measured using a discount rate reflecting risks specific to the liability. Subsequent measurement reflects changes in the estimated timing and amount of cash flows as well as changes to reflect market interest rates. The change resulted in an increase in decommissioning liabilities of $1.9 million on transition to IFRS at January 1, 2013. As at December 31, 2013, this resulted in a decrease of $0.1 million in decommissioning liabilities and a corresponding increase in property, plant and equipment.

Under GAAP, $1.3 million of accretion costs were presented in depreciation expense for the twelve months ended December 31, 2013. Under IFRS, accretion has been reclassified as net finance income and expense.

(h) Employee Benefits
Adoption of IAS 19 resulted in an increase in the employee benefit liability as at January 1, 2013 of $46.3 million and a corresponding decrease in equity of $46.3 million.

In addition, for the year ended December 31, 2013, adoption of the amended IAS 19 also resulted in a decrease in operating costs of $3.0 million. For the year ended December 31, 2013, adoption of the amended IAS 19 resulted in an increase in the employee benefit liability of $37.0 million, an increase in retained earnings of $0.7 million, and a decrease in reserves of $37.7 million.

(i) Regulatory deferrals

Under GAAP, Nalcor included certain regulatory deferrals in inventories and property, plant and equipment. IFRS 14 requires that all regulatory assets and liabilities be disclosed separately in the Statement of Financial Position. As a result, Nalcor reclassified $0.1 million from inventories to regulatory deferrals at January 1, 2013, and reclassified $4.3 million from property, plant and equipment to regulatory deferrals at December 31, 2013.

Due to uncertainties surrounding the timing of the reversal of regulatory deferral balances, IFRS 14 does not require classification of such balances between current and non-current.

32. SUBSEQUENT EVENTS

On March 2, 2015, Nalcor increased the irrevocable letter of credit issued to New York Independent System Operator Inc. from $1.2 million USD to $2.6 million USD.

On March 17, 2015, Oil and Gas entered into a series of 8 commodity price swaps with a notional value of $4.5 million USD to mitigate commodity price exposure. These contracts provide Oil and Gas with an average fixed price of $59.25 USD per barrel on an additional 75,410 barrels of production for the remainder of 2015 and the first quarter of 2016.

Subsequent to December 31, 2014, LIL LP entered into new capital commitments totaling $55.4 million.

33. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform with the basis of presentation adopted during the current reporting period.

NEWFOUNDLAND AND LABRADOR ARTS COUNCIL

FINANCIAL STATEMENTS

MARCH 31, 2015

Management's Report

Management's Responsibility for the Newfoundland and Labrador Arts Council 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.

Furthermore, management is responsible for making sure transactions comply with relevant policies and authorities and are properly recorded to produce 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 external audited financial statements yearly.

The Auditor General conducts an independent audit of the annual financial statements of the Council, 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 Newfoundland and Labrador Arts Council.

On behalf of the Newfoundland and Labrador Arts Council.

Reginald Winsor

Reginald Winsor
Executive Director

AUDITOR GENERAL
of Newfoundland and Labrador

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Newfoundland and Labrador Arts Council
St. John's, Newfoundland and Labrador

Report on the Financial Statements

I have audited the accompanying financial statements of the Newfoundland and Labrador Arts Council which comprise the statement of financial position as at March 31, 2015, 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 judgment of the auditor, 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 Newfoundland and Labrador Arts Council as at March 31, 2015, and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

TERRY PADDON, CPA, CA
Auditor General

June 30, 2015
St. John's, Newfoundland and Labrador

NEWFOUNDLAND AND LABRADOR ARTS COUNCIL
STATEMENT OF FINANCIAL POSITION

As at March 31		2015		2014
FINANCIAL ASSETS				
Cash	$	144,741	$	166,898
Accounts receivable (Note 3)		60,934		55,857
Portfolio investments (Notes 4 and 10)		26,213		25,278
		231,888		248,033
LIABILITIES				
Accounts payable and accrued liabilities (Note 5)		89,019		60,472
Deferred revenue (Note 6)		23,210		26,379
Obligation under capital lease (Note 7)		3,643		5,465
Employee future benefits (Note 8)		80,566		75,789
		196,438		168,105
Net financial assets		35,450		79,928
NON-FINANCIAL ASSETS				
Tangible capital assets (Note 9)		3,643		5,465
Prepaid expenses		3,239		10,381
Arts Fund (Notes 4 and 10)		50,352		50,352
		57,234		66,198
Accumulated surplus	$	92,684	$	146,126

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

Signed on behalf of the Council: Chairperson Christina Parker Member

NEWFOUNDLAND AND LABRADOR ARTS COUNCIL
STATEMENT OF OPERATIONS
For the Year Ended March 31

	2015 Budget	2015 Actual	2014 Actual
	(Note 16)		
REVENUES			
Province of Newfoundland and Labrador			
Grants	$ 2,127,279	$ 2,350,632	$ 2,406,949
Projects (Note 11)	295,351	71,950	52,000
Income earned on portfolio investments	1,000	935	2,213
	2,423,630	2,423,517	2,461,162
EXPENSES (Note 12)			
Grants and awards			
Community Arts	75,000	75,000	75,000
Labrador Initiative	100,000	90,211	151,401
Professional Artists Travel Fund grants	30,000	29,161	27,500
Professional Festivals	125,000	115,000	125,000
Professional Project Grants Program	575,000	590,391	556,474
Sustaining Program for Professional Arts Organizations	575,000	575,000	575,000
	1,480,000	1,474,763	1,510,375
Projects (Note 13)	508,730	346,897	333,602
Operating expenses (Note 14)	530,674	655,299	658,865
	2,519,404	2,476,959	2,502,842
Annual deficit	(95,774)	(53,442)	(41,680)
Accumulated surplus, beginning of year	146,126	146,126	187,806
Accumulated surplus, end of year	$ 50,352	$ 92,684	$ 146,126

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

NEWFOUNDLAND AND LABRADOR ARTS COUNCIL
STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
For the Year Ended March 31

		2015 Budget (Note 16)		2015 Actual		2014 Actual
Annual deficit	$	(95,774)	$	(53,442)	$	(41,680)
Tangible capital assets						
Amortization of tangible capital asset		-		1,822		1,822
		-		1,822		1,822
Prepaid Expenses						
Acquisition of prepaid expense		-		(3,239)		(10,381)
Use of prepaid expense		-		10,381		2,923
		-		7,142		(7,458)
Decrease in net financial assets		(95,774)		(44,478)		(47,316)
Net financial assets, beginning of year		79,928		79,928		127,244
Net financial assets, end of year	$	(15,846)	$	35,450	$	79,928

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

NEWFOUNDLAND AND LABRADOR ARTS COUNCIL
STATEMENT OF CASH FLOWS

For the Year Ended March 31	2015	2014
Operating transactions		
Annual deficit	$ (53,442)	$ (41,680)
Adjustment for non-cash items		
Amortization of tangible capital assets	1,822	1,822
	(51,620)	(39,858)
Change in non-cash operating items		
Accounts receivable	(5,077)	(21,417)
Accounts payable and accrued liabilities	28,547	(33,587)
Deferred revenue	(3,169)	(80,850)
Employee future benefits	4,777	3,195
Prepaid expenses	7,142	(7,458)
Cash applied to operating transactions	(19,400)	(179,975)
Financing transactions		
Repayment of obligation under capital lease	(1,822)	(1,822)
Cash applied to financing transactions	(1,822)	(1,822)
Investing transactions		
Purchase of portfolio investments	(76,565)	(75,630)
Redemption of portfolio investments	75,630	173,187
Cash provided from (applied to) investing transactions	(935)	97,557
Decrease in cash	(22,157)	(84,240)
Cash, beginning of year	166,898	251,138
Cash, end of year	$ 144,741	$ 166,898

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

1. Nature of operations

The Newfoundland and Labrador Arts Council (the Council) operates under the authority of the *Arts Council Act* of the Province of Newfoundland and Labrador. The Council has the responsibility of fostering and promoting the study and enjoyment of and the production of works in the arts. The Council consists of twelve members appointed by the Lieutenant-Governor in Council.

The Council 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 Council 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 Council does not prepare a statement of remeasurement gains and losses as the Council does not enter into relevant transactions or circumstances that are being addressed by the statement. Outlined below are the significant accounting policies followed.

(b) Cash

Cash includes cash in bank.

(c) Financial instruments

The Council's financial instruments recognized on the statement of financial position consist of cash, accounts receivable, portfolio investments, accounts payable and accrued liabilities, and obligation under capital lease. The Council 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 Council subsequently measures all of its financial assets and financial liabilities at cost or amortized cost. Financial assets measured at cost include cash, accounts receivable and portfolio investments. Financial liabilities measured at cost include accounts payable and accrued liabilities. Financial liabilities measured at amortized cost include obligation under capital lease.

The carrying value of cash, accounts receivable, portfolio investments, accounts payable and accrued liabilities, and obligation under capital lease approximate fair value due to their nature and/or the short term maturity associated with these instruments.

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

2. Summary of significant accounting policies (cont.)

(d) Employee future benefits

i. 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. No liability or provision has been recorded for employees with less than nine years of continuous service as the amount would be insignificant. The amount is payable when the employee ceases employment with the Council 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 Council and its employees are subject to the *Public Service Pensions Act, 1991*. Employee contributions are matched by the Council and then remitted to the Public Service Pension Plan Corporation from which pensions will be paid to employees when they retire. This plan is a multi-employer defined benefit plan, providing a pension on retirement based on the member's age at retirement, length of service and the average of their best six years of earnings for service on or after January 1, 2015, and, for service before January 1, 2015, the higher of the average of the frozen best 5 years of earnings up to January 1, 2015, or the average of the best 6 years of earnings for all service.

During the year, there were significant changes made to the Public Service Pension Plan. The changes include: increases in contribution rates of between 2.15% and 3.25% of pensionable earnings; calculation of pension benefits, for service on or after January 1, 2015, using the average of the best six years of earnings rather than the average of the best five years of earnings; calculation of pension benefits, for service before January 1, 2015, using the higher of the average of the frozen best 5 years of earnings up to January 1, 2015, or the average of the best 6 years of earnings for all service rather than the average of the best five years of earnings; and increases in the minimum age and/or service requirements for early retirement with an unreduced pension benefit. Employees who are eligible, or become eligible, to retire on or before January 1, 2020, are exempt from increases in the minimum age and/or service requirements for early retirement with an unreduced pension benefit.

The contributions of the Council to the plan are recorded as an expense for the year.

(e) 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 of the assets.

Obligation under capital lease is 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.

2. Summary of significant accounting policies (cont.)

(e) Tangible capital assets (cont.)

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

Assets under capital lease	5 years
Office equipment	5 years

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Council'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.

(f) Prepaid expenses

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

(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.

The Council 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 statement of operations as the stipulation liabilities are settled. Government transfers consist of funding from the Province of Newfoundland and Labrador.

Income from portfolio investments is recorded as earned.

(h) Expenses

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

Transfers, which include grants and awards, are recorded as expenses when eligibility criteria are met and the transfer is authorized.

2. Summary of significant accounting policies (cont.)

(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 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

	2015	2014
Trade accounts receivable	$ 32,500	$ 33,000
Harmonized sales tax receivable	28,434	22,857
	$ 60,934	$ 55,857

There is no allowance for doubtful accounts since all amounts are considered collectible.

4. Portfolio investments

	2015	2014
Portfolio investments, held as designated assets	$ 26,213	$ 25,278
Portfolio investments, held in the Arts Fund (Note 10)	50,352	50,352
	$ 76,565	$ 75,630

5. Accounts payable and accrued liabilities

	2015	2014
Trade accounts payable	$ 69,247	$ 45,567
Accrued employee benefits	19,772	14,905
	$ 89,019	$ 60,472

6. Deferred revenue

Deferred revenue as at March 31, 2015, consists of contributions received from the Province to be used for the Aboriginal Symposium. The purpose of the Aboriginal Symposium is to address the unique challenges facing Atlantic Canadian Aboriginal Artists in terms of the creation of work, the promotion of these works, equitable access to public funding programs, as well as the acceptance of these works in the larger context of the regional and national art world.

	2015	2014
Labrador Initiative	**$ -**	$ 11,379
Aboriginal Symposium	**23,210**	15,000
	$ 23,210	$ 26,379

7. Obligation under capital lease

The Council has acquired equipment for office operations through capital leases.

	2015	2014
Obligation under capital lease	**$ 3,643**	$ 5,465

Future minimum lease payments under capital lease are:

2016	$ 2,924
2017	2,924
	5,848
Less: interest portion of payments	2,205
	$ 3,643

8. Employee future benefits

(a) Severance pay

Employee future benefits consist of the liability for severance pay of $80,566 (2014 - $75,789).

(b) The Council and its employees contribute to the Public Service Pension Plan in accordance with the *Public Service Pensions Act, 1991* (the *Act*). The plan is administered by the Public Service Pension Plan Corporation, including payment of pension benefits to employees to whom the *Act* applies.

8. Employee future benefits (cont.)

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 11.85% (2014 - 8.6%). The Council's contributions equal the employee contributions to the plan. The Council is not required to make contributions in respect of any actuarial deficiencies of the plan. Total pension expense for the Council for the year ended March 31, 2015, was $32,502 (2014 - $29,011).

9. Tangible capital assets

	Assets under capital lease	Office equipment	Total
Cost			
Balance, March 31, 2014	$ 9,109	$ 27,153	$ 36,262
Balance, March 31, 2015	9,109	27,153	36,262
Accumulated amortization			
Balance, March 31, 2014	3,644	27,153	30,797
Amortization expense	1,822	-	1,822
Balance, March 31, 2015	5,466	27,153	32,619
Net book value, March 31, 2015	**$ 3,643**	**$ -**	**$ 3,643**
Net book value, March 31, 2014	**$ 5,465**	**$ -**	**$ 5,465**

10. Arts Fund

The Arts Fund was created pursuant to Section 9 of the *Arts Council Act.* The principal of the Fund is to be kept intact and is comprised of monies received from the Consolidated Revenue Fund of the Province of Newfoundland and Labrador and from gifts and bequests received without terms. The principal portion of the Fund is included in non-financial assets as these funds are restricted and are not available for use for operations or capital purchases. The interest earned on the invested principal may be disbursed, at the discretion of the Council, to foster and promote the study, enjoyment and production of works in the arts. The accumulated interest earned on the restricted funds is held as a designated asset until it is withdrawn. For the year ended March 31, 2015, $935 (2014 - $2,213) was earned through investment of the Fund and is included with income earned from portfolio investments.

10. Arts Fund (cont.)

	2015	2014
Restricted funds		
Province of Newfoundland and Labrador	$ 40,000	$ 40,000
Gifts and bequests as per Section 12 (2) of the *Arts Council Act*	10,352	10,352
	$ 50,352	$ 50,352

At March 31, 2015, the restricted funds consisted of portfolio investments of $50,352 (2014 - $50,352).

Accumulated interest on restricted funds

	2015	2014
Accumulated interest, beginning of year	$ 94,048	$ 122,835
Interest earned	935	2,213
Interest allocated for operations	(68,770)	(31,000)
	$ 26,213	$ 94,048

The accumulated interest on restricted assets is held as designated assets as follows:

	2015	2014
Cash	$ -	$ 68,770
Portfolio investments	26,213	25,278
	$ 26,213	$ 94,048

11. Revenues - Projects

	2015	2014
Winterset Award	$ 30,000	$ 30,000
Arts awards	20,950	21,000
ArtsSmarts	20,000	-
Rhonda Payne Award	500	500
Larry Jackson Award	500	500
	$ 71,950	$ 52,000

12. Expenses by object

	2015	2014
Grants and awards	$ 1,724,860	$ 1,748,584
Salaries and employee benefits	516,499	499,820
Purchased services	137,878	141,075
Travel	69,344	78,745
Professional services	18,946	26,686
Telephone	7,610	6,110
Amortization	1,822	1,822
	$ 2,476,959	$ 2,502,842

As of March 31, 2015, the Council's actual expenses did not exceed its legislated expense limit.

13. Expenses - Projects

	2015	2014
APAF - Creative Residency	$ 4,000	$ 11,000
APAF - Aboriginal Symposium	28,750	20,000
Arts awards	74,922	68,252
Arts smarts	140,000	119,598
Larry Jackson Award	500	500
Rhonda Payne Award	500	500
School Touring Program	74,598	74,550
Visiting Artists' Program	-	13,061
Winterset Award	23,627	26,141
	$ 346,897	$ 333,602

14. Operating expenses

	2015	2014
Amortization	$ 1,822	$ 1,822
Labrador Initiative	103,576	100,526
Miscellaneous	16,687	22,580
Office and postage	14,996	13,191
Professional services	-	6,300
Project evaluating fees	18,946	20,386
Salaries and employee benefits	440,287	421,766
Telephone	7,610	6,110
Travel and Council meetings	51,375	66,184
	$ 655,299	$ 658,865

15. Financial risk management

The Council recognizes the importance of managing significant risks and this includes oversight designed to reduce the risks identified to an appropriate threshold. The risks that the Council is exposed to through its financial instruments are credit risk, liquidity risk and market risk. There was no significant change in the Council'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 Council's main exposure to credit risk relates to cash, accounts receivable and portfolio investments. The Council is not exposed to significant credit risk with its cash or portfolio investments because these financial instruments are held with a Chartered Bank. The Council is not exposed to significant credit risk related to its accounts receivable as these amounts are primarily due from the Government of Canada. Accordingly, there is no allowance for doubtful accounts.

Liquidity risk

Liquidity risk is the risk that the Council will be unable to meet its financial liabilities. The Council's exposure to liquidity risk relates mainly to its accounts payable and accrued liabilities and its obligation under capital lease as described in Note 7. The Council 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 Council is not exposed to significant foreign exchange or other price risk. The Council is not exposed to significant interest rate risk related to portfolio investments because these investments have fixed interest rates and fixed values at maturity. In addition, the Council is not exposed to significant interest rate risk on the obligation under capital lease as the interest rate is fixed to maturity.

16. 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 Council.

17. Related party transactions

The Council leases office space from the Province of Newfoundland and Labrador at an annual rate of $1.

18. Non-financial assets

The recognition and measurement of non-financial assets, other than the restricted assets of the Arts Fund, is based on their service potential. These assets will not provide resources to discharge liabilities of the Council. For these non-financial assets, the future economic benefit consists of their capacity to render service to further the Council's objectives. The restricted assets of the Arts Fund are not available to provide resources to discharge the liabilities of the Council as outlined in Note 10.

Grant Thornton

Financial Statements

Newfoundland and Labrador Centre for Health Information

March 31, 2015

Statement of responsibility

The accompanying financial statements are the responsibility of the management of the Newfoundland and Labrador Centre for Health Information (the "Centre") 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 Chartered Professional Accountants of Canada.

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 Finance and 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 their approval of the finalized financial statements.

Grant Thornton LLP as the Centre's appointed external auditors, have audited the financial statements. The auditor's report is addressed to the Directors of the Centre 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 Centre in accordance with Canadian public sector accounting standards.

_______________ Chair _______________ Director

Grant Thornton

Independent auditors' report

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To the Directors of

Newfoundland and Labrador Centre for Health Information

We have audited the accompanying financial statements of Newfoundland and Labrador Centre for Health Information, which comprise the statement of financial position as at March 31, 2015 and the statement of operations, statement of net debt and changes in 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 Centre'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 Centre'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 Newfoundland and Labrador Centre for Health Information as at March 31, 2015 and its financial performance, net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 3 to the financial statements which explains that certain comparative information for the year ended March 31, 2014 has been restated.

Grant Thornton LLP

St. John's, Canada

June 17, 2015

Chartered Accountants

Newfoundland and Labrador Centre for Health Information

Statement of Financial Position

March 31	2015	(Note 13) 2014
Financial assets		
Cash and cash equivalents	**$ 16,862,888**	$ 15,029,517
Receivables (Note 4)	**3,155,161**	1,389,906
	20,018,049	16,419,423
Liabilities		
Payables and accruals (Note 5)	**10,756,350**	7,874,876
Deferred revenue	**18,981,378**	15,596,744
Deferred capital contributions (Note 6)	**15,258,598**	14,662,111
Accrued severance pay (Note 7)	**1,359,400**	1,215,300
Accrued sick leave pay (Note 8)	**646,000**	651,200
	47,001,726	40,000,231
Net debt	**(26,983,677)**	(23,580,808)
Non-financial assets		
Tangible capital assets (Page 17)	**20,741,287**	21,323,824
Prepaids	**1,832,715**	1,500,855
	22,574,002	22,824,679
Accumulated deficit (Note 3)	**$ (4,409,675)**	$ (756,129)

Commitments (Note 11)

On behalf of the Centre

_____ Chair _____ Director

See accompanying notes to the financial statements.

Newfoundland and Labrador Centre for Health Information

Statement of Operations and Changes in Accumulated Deficit

Year Ended March 31	Actual 2015	(Note 10) Budget 2015	(Note 13) Actual 2014
Revenue			
Grants			
Canada Health Infoway	$ 889,188	$ 882,355	$ 1,293,156
Government of Newfoundland and Labrador	21,793,993	24,983,476	20,355,927
Amortization of deferred capital	1,759,189	1,851,229	1,757,851
Research	509,745	642,914	524,818
Interest	242,431	168,000	185,244
Other projects	1,325,528	1,785,203	933,311
	26,520,074	30,313,177	25,050,307
Expenses (Pages 18 & 19)			
Administration	7,469,178	7,958,922	7,587,275
Clinical Programs	4,453,715	5,422,675	3,940,816
Infrastructure, Information Protection and EHR Operations	11,601,465	13,699,161	11,516,407
Projects	4,624,343	5,819,288	3,186,451
Research and Evaluation	2,024,919	2,143,447	2,001,468
	30,173,620	35,043,493	28,232,417
Annual deficit	$ (3,653,546)	$ (4,730,316)	$ (3,182,110)

Accumulated (deficit) surplus, beginning of year (Note 3)	$ (756,129)	$ (633,306)	$ 2,425,981
Annual deficit	(3,653,546)	(4,730,316)	(3,182,110)
Accumulated deficit, end of year	$ (4,409,675)	$ (5,363,622)	$ (756,129)

See accompanying notes to the financial statements.

Newfoundland and Labrador Centre for Health Information

Statement of Net Debt

Year Ended March 31	Actual 2015	(Note 10) Budget 2015	(Note 13) Actual 2014
Annual deficit	$ (3,653,546)	$ (4,730,316)	$ (3,182,110)
Acquisition of tangible capital assets	(3,046,558)	(4,020,157)	(5,523,476)
Amortization of tangible capital assets	3,620,168	4,180,795	3,862,007
Loss on disposal of capital assets	8,927	-	27,897
Increase in prepaids	(331,860)	-	(116,436)
Increase in net debt	(3,402,869)	(4,569,678)	(4,932,118)
Net debt, beginning of year (Note 3)	(23,580,808)	(23,457,985)	(18,648,690)
Net debt, end of year	$(26,983,677)	$(28,027,663)	$(23,580,808)

See accompanying notes to the financial statements.

Newfoundland and Labrador Centre for Health Information

Statement of Cash Flows

Year Ended March 31	2015	(Note 13) 2014
Increase (decrease) in cash and cash equivalents		
Operating		
Annual deficit	**$ (3,653,546)**	$ (3,182,110)
Change in non-cash items		
Amortization of capital assets	**3,620,168**	3,862,007
Amortization of deferred capital contributions	**(1,759,189)**	(1,757,851)
Loss on disposal of capital assets	**8,927**	27,897
Increase in severance pay accrual	**144,100**	150,400
Decrease in sick leave pay accrual	**(5,200)**	(12,600)
Change in non-cash operating working capital		
Receivables	**(1,765,255)**	3,256,095
Prepaid expenses	**(331,860)**	(116,436)
Payables and accruals	**2,881,474**	1,762,465
Deferred revenue	**3,384,634**	(485,248)
Cash provided by operating transactions	**2,524,253**	3,504,619
Capital		
Cash applied to capital transactions	**(3,046,558)**	(5,523,476)
Financing		
Capital contributions from Government of Newfoundland and Labrador and Canada Health Infoway	**2,355,676**	4,552,428
Increase in cash and cash equivalents	**1,833,371**	2,533,571
Cash and cash equivalents, beginning of year	**15,029,517**	12,495,946
Cash and cash equivalents, end of year*	**$ 16,862,888**	$15,029,517

Cash and cash equivalents consist of the following:

	2015	2014
Cash in bank	**$ 11,837,888**	$ 6,346,342
Temporary investments	**5,025,000**	8,683,175
	$ 16,862,888	$ 15,029,517

See accompanying notes to the financial statements.

Newfoundland and Labrador Centre for Health Information

Notes to the Financial Statements

March 31, 2015

1. Purpose of organization

The Newfoundland and Labrador Centre for Health Information (the Centre) was established by the Government of Newfoundland and Labrador in 1996 following the recommendation of the Health System Information Task Force (1995). The Newfoundland and Labrador Centre for Health Information Act was proclaimed in April 27, 2007, thereby establishing the Centre as a Corporation without share capital under the Corporations Act. The Centre is a Government Organization and reports to the Legislative Assembly through the Ministry of Health and Community Services. The Centre is exempt from income tax under Section 149 of the Income Tax Act.

Through the support of the provincial government and Canada Health Infoway Inc., the Centre has been recognized for its contribution to the national agenda for development of the Electronic Health Record with the first provincial client registry designed and implemented for the Electronic Health Record. The Centre is also involved with data standards development and dissemination, applied health research and the evaluation of health information systems.

2. 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 Standards Board (PSAB) of the Chartered Professional Accountants of Canada and reflect the following significant accounting policies.

Use of estimates

In preparing the Centre'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 useful life of capital assets, estimated accrued severance and sick leave, rates of 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.

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

Revenue recognition

Government grants are recognized in the period in which entitlement arises. Revenue from grants is recognized as deferred revenue when amounts have been received but not all eligibility criteria has been met. Other revenue from research and other contracts is recognized as the related expenditures are incurred. Interest income is recognized as it is earned.

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. Bank borrowings are considered to be financing activities.

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 debt for the year.

Prepaid expenses

Prepaid expenses include software maintenance, software license fees, insurance, rent and other operating expenses that the Centre has paid but the services have not been provided as of year end.

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:

Computer equipment	20%, straight line
Office furniture	15%, straight line
Computer software	33%, straight line
Leasehold improvements	10%, straight line
Pharmacy Network	10%, straight line
Health Information Access Layer	10%, straight line
iEHR Labs	10%, straight line

Impairment of long lived assets

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

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

Capital contributions

The Centre receives funding specifically for the development of major software and systems to be used by the various stakeholders within the Province's health care sector. The Centre also has a responsibility to continue to develop and sustain the software and systems for the stakeholders. Based on the Centre's responsibilities to provide a service to maintain these major projects, the funding received has been included as a liability and recognized as revenue over the project's useful life.

Severance pay

Severance pay is calculated using an actuarial estimate based upon years of service and current salary levels. The right to be paid severance pay vests with employees with nine years of continual service. Severance pay is payable when the employee ceases employment with the Centre and has achieved the minimum of nine years of continual service.

Sick leave pay

The Centre provides sick leave benefits to employees with sick leave days to their credit as of December 31, 2003 and employees who transfer from another government department/agency with accumulated sick leave days. No additional sick leave benefits have accumulated since December 31, 2003 or the employee's date of transfer, as the case may be. An actuarially determined accrued liability has been recorded on the statements for sick leave benefits.

Financial instruments

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

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

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

The Centre 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.

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

The Centre subsequently measures its financial assets and financial liabilities at cost or amortized cost.

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

Financial liabilities measured at cost include payables and accruals.

The Centre 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.

3. Restatement of previously issued financial statements

Employee benefit adjustment – The March 31, 2014 figures have been restated to reflect the results of an actuarial valuation for employees' sick leave and severance benefits as of March 31, 2015. The valuation resulted in a change in the opening sick leave and severance pay accruals as at April 1, 2013, carried forward to March 31, 2014.

	As previously reported	Employee benefits adjustment	As restated
Statement of Operations and Accumulated Deficit			
Expenses (Page 18 & 19)			
Salaries and Benefits			
Administration	$ 2,191,377	$ 93,727	$ 2,285,104
Clinical Programs	2,823,074	(78,096)	2,744,978
Infrastructure, Information Protection and EHR Operations	4,901,544	(17,629)	4,883,915
Research & Evaluation	1,942,199	(43,687)	1,898,512
Annual deficit, as previously reported	(3,227,795)	45,685	(3,182,110)
Accumulated surplus, beginning of year	2,594,488	(168,507)	2,425,981
Accumulated surplus, end of year	(633,306)	(122,823)	(756,129)

3. Restatement of previously issued financial statements (cont'd.)

	As previously reported	Employee benefits adjustment	As restated
Statement of Financial Position			
Financial liabilities			
Accrued severance pay	$ 1,618,677	$ (403,377)	$ 1,215,300
Accrued sick leave	125,000	526,200	651,200
Net Debt	(23,457,985)	(122,823)	(23,580,808)
Accumulated surplus, end of year	(633,306)	(122,823)	(756,129)
Statement of Changes in Net Debt			
Annual deficit	$ (3,227,795)	$ 45,685	$ (3,182,110)
Net debt, beginning of year	(18,480,183)	(168,507)	(18,648,690)
Net debt, end of year	(23,457,985)	(122,823)	(23,580,808)
Statement of Cash Flows			
Operating transactions			
Excess of revenue over expenditure	$ (3,227,795)	$ 45,685	$ (3,182,110)
Accrued severance pay	256,421	(106,021)	150,400
Accrued sick pay	-	(12,600)	(12,600)

4. Receivables

	2015	(Note 13) 2014
Canada Health Infoway	**$ 1,839,142**	$ 638,626
Harmonized sales tax	**966,171**	301,288
Trade	**294,959**	409,435
Accrued interest	**48,835**	6,632
Government of Newfoundland and Labrador	**5,000**	14,731
Other	**1,054**	19,194
	$ 3,155,161	$ 1,389,906

5. Payables and accruals

	2015	2014
Trade	**$ 9,223,997**	$ 6,496,074
Vacation and compensatory pay	**1,532,353**	1,378,802
	$ 10,756,350	$ 7,874,876

6. Deferred capital contributions

	2015	2014
Opening balance	$ 14,662,111	$ 11,867,534
Capital contributions from Government of Newfoundland and Labrador	499,210	1,043,840
Capital contribution from Canada Health Infoway	1,856,466	3,508,588
Amortization of deferred capital contribution	(1,759,189)	(1,757,851)
	$ 15,258,598	$ 14,662,111

7. Accrued severance pay

Accrued severance obligations have been calculated based on an actuarial valuation completed effective March 31, 2015. The assumptions shown below are based on future events.

	2015	2014
Significant assumptions used:		
Discount rate	3.75%	3.40%
Average remaining service period of active employees	12.8 years	12.8 years
Wage and salary escalation	3.0%	3.0%
Accrued Benefit Obligation:		
Balance beginning of year	$ 1,215,300	$ 1,064,900
Current period benefit cost	137,500	139,700
Interest cost	45,900	38,100
Benefits payments	(35,900)	(27,400)
Amortization of actuarial gains	(3,400)	-
Balance, end of year	$ 1,359,400	$ 1,215,300
Net benefit expense for the year:		
Current period benefit cost	$ 137,500	$ 139,700
Amortization of actuarial gains	(3,400)	-
Interest cost	45,900	38,100
Net Benefit Expense	$ 180,000	$ 177,800

8. Accrued sick leave pay

Accrued sick leave obligations have been calculated based on an actuarial valuation completed effective March 31, 2015. The assumptions shown below are based on future events.

	2015	2014
Significant assumptions used:		
Discount rate	**3.75%**	3.40%
Average remaining service period of active employees	**9.70 years**	9.70 years
Wage and salary escalation	**3.0%**	3.0%
Accrued Benefit Obligation:		
Balance beginning of year	**$ 651,200**	$ 663,800
Current period benefit cost	**-**	-
Interest cost	**23,500**	22,000
Benefits payments	**(27,600)**	(34,600)
Amortization of actuarial gains	**(1,100)**	-
Balance, end of year	**$ 646,000**	$ 651,200
Net benefit expense for the year:		
Current period benefit cost	**$ -**	$ -
Amortization of actuarial gains/losses	**(1,100)**	-
Interest cost	**23,500**	22,000
Net Benefit Expense	**$ 22,400**	$ 22,000

9. Public Service Pension Plan and Government Money-Purchase Plan

The Centre participates in the Government of Newfoundland and Labrador's defined benefit Public Service Pension Plan (PSPP) for full-time employees and the defined contribution Government Money-Purchase Pension Plan (GMPP) for part-time employees. The assets of the plans are held separately from those of the Centre in an independently administered fund. Plan participation is mandatory for all employees.

PSPP members must have at least five years of pensionable service to obtain a pension benefit. Normal retirement age under the plan is 65, however early retirement options are available. The PSPP is integrated with the Canada Pension Plan (CPP).

9. Public Service Pension Plan and Government Money-Purchase Plan (cont'd.)

Members of the Plan are required to make contributions toward the funding of their pension benefits as follows:

(i) 10.75% of earnings up to the Year's Basic CPP Exemption, the portion of earnings upon which no CPP contributions are required;
(ii) 8.95% of earnings in excess of the Year's Basic CPP Exemption up to and including the Year's Maximum Pensionable Earnings ("YMPE"); and
(iii) 11.85% of earnings in excess of the YMPE.

The lifetime PSPP 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.

Members of the GMPP can use the contributions along with interest and/or investment gain/loss to purchase a pension at retirement. Contributions made on or after January 1, 1997 are fully vested and locked-in after the completion of two years of plan participation.

Employer contributions paid and expensed by the Centre during the year for the PSPP and GMPP totaled $866,615 (2014 - $854,531). Additional information about the plan surplus or deficit is not available.

10. Budget figures

The reconciliation between the Centre'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.

11. Commitments

Under the terms of several long term contracts related to the rental of office space, equipment lease and software fees, the Centre is committed to make the approximate payments for the next five years as follows:

2016	$ 5,472,169
2017	$ 3,441,595
2018	$ 1,455,614
2019	$ 1,444,487
2020	$ 329,212

12. Financial instruments

The Centre's financial instruments consist of cash and cash equivalents, temporary investments, receivables and payables and accruals. The book value of cash and cash equivalents, receivables and payables and accruals approximate fair value due to their short term maturity date.

Risks and concentrations

The Centre is exposed to various risks through its financial instruments. The following analysis provides a measure of the Centre's risk exposure and concentrations at March 31, 2015.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Centre is exposed to this risk mainly in respect of its payables and accruals in the amount of $10,756,350 (2014 - $7,874,876), which have a maturity of not later than one year. The payment of the accrued severance pay and sick leave pay liabilities will occur later than one year. The Centre 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 Centre is low and not material.

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Centre's credit risk is attributable to receivables in the amount of $2,188,990 (2014 - $1,088,618), of which $5,000 (2014 - $14,731) is receivable from the Government of Newfoundland and Labrador and $1,839,142 (2014 - $638,626) is receivable from Canada Health Infoway. Receivables are expected to be collected not later than one year. Management believes that the credit risk concentration with respect to financial instruments included in receivables is remote.

13. Comparative figures

The comparative figures have been restated to conform with the financial statement presentation adopted for the current year.

Newfoundland and Labrador Centre for Health Information
Schedule of Tangible Capital Assets
Year Ended March 31, 2015

	Computer equipment	Office furniture	Computer software	Leasehold improvements	Pharmacy Network	Electronic Health Records-Labs (iEHR Labs)	Health Information Access Layer (HIAL)	2015	2014
Cost									
Cost, beginning of year	$ 11,377,755	$ 355,514	$ 4,267,508	$ 264,421	$ 9,906,749	$ 3,937,949	$ 8,247,880	**$ 38,357,776**	$ 33,016,800
Additions during the year	381,226	17,349	511,146	-	-	2,092,830	44,007	**3,046,558**	5,523,476
Disposals during the year	(1,797,674)	-	-	-	-	-	-	**(1,797,674)**	(182,500)
Cost, end of year	$ 9,961,307	$ 372,863	$ 4,778,654	$ 264,421	$ 9,906,749	$ 6,030,779	$ 8,291,887	**$ 39,606,660**	$ 38,357,776
Accumulated Amortization									
Accumulated amortization, beginning of year	$ 7,278,877	$ 273,803	$ 3,442,788	$ 117,531	$ 4,148,986	$ -	$ 1,771,967	**$ 17,033,952**	$ 13,326,548
Amortization	1,672,466	39,832	486,661	29,334	990,675	-	401,200	**3,620,168**	3,862,007
Reversal of accumulated amortization relating to disposals	(1,788,747)	-	-	-	-	-	-	**(1,788,747)**	(154,603)
Accumulated amortization, end of year	$ 7,162,596	$ 313,635	$ 3,929,449	$ 146,865	$ 5,139,661	$ -	$ 2,173,167	**$ 18,865,373**	$ 17,033,952
Net book value of tangible capital assets	$ 2,798,711	$ 59,228	$ 849,205	$ 117,556	$ 4,767,088	$ 6,030,779	$ 6,118,720	**$ 20,741,287**	$ 21,323,824

Included in tangible capital assets are assets not in use and therefore not depreciated in the current year. These assets, $6,030,779 (2014 - $4,243,829) of which relate to iEHR Labs, $4,279,886 (2014– $4,235,880) to HIAL, $88,660 (2014 - $337,006) to computer hardware, and $44,920 (2013 - $168,393) to computer software, are expected to be depreciated in the next fiscal year.

Newfoundland and Labrador Centre for Health Information

Schedule of Expenses

March 31	2015	(Note 13) 2014
Administration		
Consulting fees	$ 148,051	$ 24,380
Salaries and benefits	2,264,905	2,285,104
Amortization of capital assets	3,620,168	3,862,007
License fees	-	1,971
Minor equipment	4,238	2,540
Software maintenance	18,920	16,082
Rent	898,511	899,036
Security services	125,337	101,936
Insurance	102,505	101,824
Other	286,543	292,395
	$ 7,469,178	$ 7,587,275
Clinical Programs		
Consulting fees	$ 497,714	$ 436,997
Salaries and benefits	2,672,475	2,744,978
License fees	35,896	32,468
Minor equipment	19,612	8,465
DI PACS equipment	124,154	182
Software maintenance	668,322	603,565
Communications	305,715	10,059
Other	129,827	104,102
	$ 4,453,715	$ 3,940,816
Infrastructure, Information Protection and EHR Operations		
Consulting fees	$ 262,257	$ 381,120
Salaries and benefits	4,795,436	4,883,915
Data communication charges	941,238	979,634
License fees	2,734,278	2,682,275
Minor equipment	17,994	12,658
Software maintenance	2,401,389	2,244,436
Data centre rent	211,004	174,941
Rent	33,900	33,900
Other	203,969	123,528
	$ 11,601,465	$ 11,516,407

Newfoundland and Labrador Centre for Health Information

Schedule of Expenses

March 31	2015	(Note 13) 2014
Projects		
Consulting fees	**$ 1,495,418**	$ 1,105,470
Salaries and benefits	**1,768,181**	1,805,881
License fees	**12,708**	6,137
Minor equipment	**336**	990
Telepathology equipment	**1,106,442**	-
Software maintenance	**185,311**	175,511
Other	**55,947**	92,462
	$ 4,624,343	$ 3,186,451
Research and Evaluation		
Consulting fees	**$ 14,922**	**$ 18,218**
Salaries and benefits	**1,925,432**	1,898,512
License fees	**35,487**	36,441
Minor equipment	**1,845**	9,421
Other	**47,233**	38,876
	$ 2,024,919	$ 2,001,468
Total expenses	**$ 30,173,620**	$ 28,232,417

Newfoundland and Labrador Centre for Health Information

Reconciliation of the Financial Plan to the Budget

Year Ended March 31, 2015

	Financial Plan	Capital Expenditures	PSAB Budget
Revenue			
Grants			
Canada Health Infoway	$ 882,355	$ -	$ 882,355
Government of Newfoundland and Labrador	24,983,476	-	24,983,476
Amortization of deferred capital	1,851,229	-	1,851,229
Research	642,914	-	642,914
Interest	168,000	-	168,000
Other	1,785,203	-	1,785,203
	$ 30,313,177	$ -	$ 30,313,177
Expenses			
Administration	$ 7,964,422	$ 5,500	$ 7,958,922
Clinical Programs	6,180,775	758,100	5,422,675
Infrastructure, Information Protection and EHR Operations	14,226,661	527,500	13,699,161
Projects	8,548,344	2,729,056	5,819,288
Research and Evaluation	2,143,447	-	2,143,447
Total expenses	$ 39,063,649	$ 4,020,156	$ 35,043,493
Deficit	$ (8,750,472)	$ (4,020,156)	$ (4,730,316)

NEWFOUNDLAND AND LABRADOR
CROP INSURANCE AGENCY

NEWFOUNDLAND AND LABRADOR
CROP INSURANCE FUND

FINANCIAL STATEMENTS

MARCH 31, 2015

Management's Report

Management's Responsibility for the Newfoundland and Labrador Crop Insurance Agency, Newfoundland and Labrador Crop Insurance 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 Agency 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 Newfoundland and Labrador Crop Insurance Agency.

On behalf of the Newfoundland and Labrador Crop Insurance Agency.

C. MacDonald

Ms. Cynthia MacDonald, P.Ag.
Director of Agriculture Business Development

AUDITOR
GENERAL
of Newfoundland and Labrador

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Newfoundland and Labrador Crop Insurance Agency
St. John's, Newfoundland and Labrador

Report on the Financial Statements

I have audited the accompanying financial statements of the Newfoundland and Labrador Crop Insurance Agency, Newfoundland and Labrador Crop Insurance Fund, which comprise the statement of financial position as at March 31, 2015, 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 Newfoundland and Labrador Crop Insurance Agency, Newfoundland and Labrador Crop Insurance Fund as at March 31, 2015, and its financial performance for the year then ended in accordance with Canadian public sector accounting standards.

TERRY PADDON, CPA, CA
Auditor General

June 18, 2015
St. John's, Newfoundland and Labrador

NEWFOUNDLAND AND LABRADOR CROP INSURANCE AGENCY
NEWFOUNDLAND AND LABRADOR CROP INSURANCE FUND
STATEMENT OF FINANCIAL POSITION

As at March 31	**2015**	**2014**
FINANCIAL ASSETS		
Cash	$ 49,531	$ 108,790
Accounts receivable (Note 5)	2,080	4,048
	51,611	112,838
LIABILITIES		
Accounts payable and accrued liabilities (Note 6)	-	2,000
	-	2,000
Net financial assets	51,611	110,838
NON-FINANCIAL ASSETS	-	-
Accumulated surplus	$ 51,611	$ 110,838

The accompanying notes are an integral part of these financial statements

Signed on behalf of the Board:

C. MacDonald — **Chairperson**

Gerald Wicks — **Member**

NEWFOUNDLAND AND LABRADOR CROP INSURANCE AGENCY
NEWFOUNDLAND AND LABRADOR CROP INSURANCE FUND
STATEMENT OF OPERATIONS
For the Year Ended March 31

	2015 Budget	2015 Actual	2014 Actual
	(Note 9)		
REVENUES			
Government of Canada (Note 7)	$ 258,946	$ 213,503	$ 240,213
Province of Newfoundland and Labrador (Note 7)	172,631	142,335	160,142
Premiums from insured persons	79,570	33,445	49,348
Late payment fees	-	600	400
Appeal administration fee	-	-	400
	511,147	389,883	450,503
EXPENSES (Note 8)			
Production Insurance Program	150,000	143,440	110,158
Administration (Note 4)	312,222	305,670	326,332
	462,222	449,110	436,490
Annual (deficit) surplus	48,925	(59,227)	14,013
Accumulated surplus, beginning of year	110,838	110,838	96,825
Accumulated surplus, end of year	$ 159,763	$ 51,611	$ 110,838

The accompanying notes are an integral part of these financial statements

1. Nature of operations

The Newfoundland and Labrador Crop Insurance Agency (the Agency) operates under the authority of the *Crop Insurance Act*. The purpose of the Agency is to operate the Newfoundland and Labrador Crop Insurance Fund to provide insurance to farmers of the Province to restrict the amount of financial loss due to crop failure. 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 Newfoundland and Labrador Crop Insurance 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 Agency 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 Agency does not prepare a statement of change in net financial assets and a statement of cash flows as this information is readily apparent from the other statements. In addition, the Agency does not prepare a statement of re-measurement gains and losses as the Agency does not enter into relevant transactions or circumstances that are being addressed by the statement.

(b) Financial instruments

The Agency's financial instruments recognized in the statement of financial position consist of cash, accounts receivable, and accounts payable and accrued liabilities. The Agency 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 Agency subsequently measures all of its financial assets and financial liabilities at cost or amortized cost. Financial assets measured at cost include cash. Financial assets measured at amortized cost include accounts receivable. Financial liabilities measured at cost include accounts payable and accrued liabilities.

The carrying values of cash, accounts receivable 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. 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 premium contributions and Government of Canada premium 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.

Indemnity claims are reported on an accrual basis. Indemnity claims are paid to insured persons upon approval by the Board of Directors of submitted insurance claims.

The Agency is administered as a division of the Forestry and Agrifoods Agency. Expenses related to salaries and administration costs are paid directly by the Forestry and Agrifoods Agency and are reflected in these financial statements as expenses of the Agency and as revenue from the Province.

The Province and the Government of Canada have entered into a cost-shared agreement in which administration expenses are funded 60% by the Federal Government and 40% by the Province.

3. Financial risk management

The Agency recognizes the importance of managing risks and this includes policies, procedures and oversight designed to reduce risks identified to an appropriate threshold. The Agency is exposed to credit risk and liquidity risk through its financial instruments. The Agency is not exposed to market risk. There was no significant change in the Agency'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 Agency's main credit risk relates to cash and accounts receivable. The Agency's maximum exposure to credit risk is the carrying amounts of these financial instruments. The Agency is not exposed to significant credit risk with its cash because these financial instruments are held with a Chartered Bank. The Agency is not exposed to significant credit risk related to its accounts receivable as it has policies and procedures for the monitoring and collection of its accounts receivable so as to mitigate potential credit losses. Any estimated impairment of these accounts receivable has been provided for through a provision for doubtful accounts as disclosed in Note 5.

Liquidity risk

Liquidity risk is the risk that the Agency will be unable to meet its contractual obligations and financial liabilities as they come due. The liquidity risk related to accounts payable and accrued liabilities is considered to be low. The Agency 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. Related party transactions

The Agency is administered by employees of the Forestry and Agrifoods Agency. Salaries and other costs of $305,670 (2014 - $326,332) applicable to the operation of the Agency have been paid or are payable by the Forestry and Agrifoods Agency and are reflected in these financial statements as expenses of the Agency and as revenue in the form of payments made by the Province. The Province recovered $183,402 (2014 - $195,799) of these administration expenses from the Government of Canada under the Canada-Newfoundland and Labrador AgriInsurance Program funded under the Growing Forward 2 Framework Agreement.

The Agency paid an insurance claim of $60,717 (2014 - $35,903) to a company which had a Board member of the Agency as a director of the company insured under the crop insurance program.

5. Accounts receivable

	2015	2014
Province of Newfoundland and Labrador	$ 84	$ 2,052
Premiums from insured persons	4,136	4,136
	4,220	6,188
Less: provision for doubtful accounts	2,140	2,140
	$ 2,080	$ 4,048

6. Accounts payable and accrued liabilities

	2015	2014
Province of Newfoundland and Labrador	$ -	$ 2,000
	$ -	$ 2,000

7. Premium contributions and administrative expenses

	2015	2014
Government of Canada		
Premium contributions	$ 30,101	$ 44,414
Payments for administration	183,402	195,799
	$ 213,503	$ 240,213
Province of Newfoundland and Labrador		
Premium contributions	$ 20,067	$ 29,609
Payments for administration	122,268	130,533
	$ 142,335	$ 160,142

8. Expenses by object

The following is a summary of expenses by object:

	2015	2014
Bank charges	$ 32	13
Board expenses	1,751	4,389
Equipment supplies	535	-
Indemnity claims	143,440	110,158
Professional services	7,495	4,864
Purchased services	7,128	8,712
Salaries and employee benefits	258,442	262,173
Supplies	9,519	22,035
Transportation and Communication	20,768	24,146
	$ 449,110	$ 436,490

9. 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.

Newfoundland and Labrador Education Foundation Inc.

Financial Statements

December 31, 2014

BYRON SMITH
CHARTERED ACCOUNTANT
MANAGEMENT CONSULTANT

BYRON SMITH
CHARTERED ACCOUNTANT
MANAGEMENT CONSULTANT

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CA

AUDITORS' REPORT

To the Board Members:
Newfoundland and Labrador Education Foundation Inc.

Report on the Financial Statements

I have audited the accompanying financial statements of Newfoundland and Labrador Education Foundation Inc., which comprise the statement of financial position as at December 31, 2014, and the statements of operations and changes in 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 generally accepted accounting principles as established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. It is also management's responsibility to ensure appropriate systems of internal and administrative controls are maintained 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.

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 whether the financial statements are free of material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedure's 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 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 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

In common with many charitable organizations, the Foundation derives revenue from donations and fundraising activities which are not susceptible to complete audit verification. Accordingly, my verification of revenues from these sources was limited to accounting for the amounts recorded in the records of the Foundation.

Qualified Opinion

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph and adjustments, if any, the financial statements present fairly, in all material respects, the financial position of the Newfoundland and Labrador Education Foundation Inc. as at December 31, 2014 and the results of its operations and the changes in its cash flows for the year then ended in accordance with the standards established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants.

March 6, 2015
Spaniard's Bay, NL

Byron Smith
CHARTERED ACCOUNTANT

Newfoundland and Labrador Education Foundation Inc.
Statement of Financial Position
December 31,

	2014	2013
FINANCIAL ASSETS		
Cash	$ 232,370	$ 147,195
Cash - Restricted (Note 3)	39,164	41,335
Accounts Receivable	74	10,464
Due from Newfoundland and Labrador English School District	12,564	36,831
	$ 284,172	$ 235,825
LIABILITIES		
Accounts payable and accruals	$ 24,240	$ 15,789
Payable to various schools	39,164	41,335
	63,404	57,124
NET FINANCIAL ASSETS (NET DEBT)	$ 220,768	$ 178,701
NET ASSETS	$ 220,768	$ 178,701

On Behalf of the Foundation:

George Sheppard Director   [signature] Director

The accompanying notes are an integral part of these financial statements

BYRON SMITH
CHARTERED ACCOUNTANT
MANAGEMENT CONSULTANT

Newfoundland and Labrador Education Foundation Inc.
Statement of Operations

Year Ended December 31,	Budget 2014	Actual 2014	Actual 2013
Revenue			
Charitable Donations		$ 90,593	$ 263,656
In Kind Contributions - Books		9,872	8,517
Donations received from other registered charities		5,097	4,658
Fundraising revenue	$ 186,000	180,185	179,245
	186,000	285,747	456,076
Operating Expenses			
Charitable work	62,000	134,562	304,949
Operating expenses	31,000	19,025	18,205
Fundraising expenditures	93,000	90,093	89,605
	186,000	243,680	412,759
EXCESS OF REVENUE OVER EXPENSES	$ NIL	$ 42,067	$ 43,317

Schedule of Changes to Net Assets

	2014	2013
Net assets, beginning of year	$ 178,701	$ 135,384
Excess of revenue over expenses	42,067	43,317
Net assets, end of year	$ 220,768	$ 178,701

Newfoundland and Labrador Education Foundation Inc.
Statement of Changes in Cash Flows

For the Year Ended December 31,	**2014**	**2013**
Cash Flows Provided From		
Operations		
Excess of revenue over expenses	$ 42,067	$ 43,317
Changes in non cash working capital accounts		
Accounts receivable	10,390	2,305
Due from Newfoundland and Labrador English School District	24,267	(10,092)
Payables and accruals	8,451	13,529
Accounts payable - Schools	(2,171)	16,874
Net cash provided by operating activities	83,004	65,933
Cash provided	83,004	65,933
Cash, beginning of year	188,530	122,597
Cash, end of year	$ 271,534	$ 188,530
Consists of:		
Cash	$ 232,370	$ 147,195
Cash - Restricted	39,164	41,335
	$ 271,534	$ 188,530

The accompanying notes are an integral part of these financial statements

BYRON SMITH
CHARTERED ACCOUNTANT
MANAGEMENT CONSULTANT

Nature of Operations

The Newfoundland and Labrador Education Foundation Inc. is a registered charity and an incorporated body under the Corporations Act of Newfoundland & Labrador with the following purpose:

The provision of grants and other aid to the NL English School Board, its schools, and any other charitable organization whose mandate includes the advancement of education for the support, enhancement, maintenance, and improvements of the educational, environmental, welfare of counselling, nutritional and other programs for the benefit of students or the improvement of teaching and learning in District schools, facilities and equipment.

The Foundation is exempt from income tax under Section 149(1) of the Canadian Income Tax Act.

1. **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) of the Canadian Institute of Chartered Accountants and reflect the following significant accounting policies:

Basis of Accounting

The consolidated financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. 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.

Cash and Cash Equivalents

The Foundation considers deposits in banks as cash and cash equivalents.

Contributed Materials and Services

The Foundation recognizes contributions of materials and services when their fair value can be reasonably estimated.

Fair Value of Financial Instruments

Financial instruments consist of cash and short-term investments, accounts receivable and accounts payable and accrued liabilities. The Foundation has evaluated the fair values of these financial instruments based on the current interest rate environment, related market values and current pricing of financial instruments with comparable terms. The carrying value of the financial instruments is considered to approximate fair value unless otherwise indicated.

Financial assets measured at cost are tested for impairment when there are indicators. 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 excess of revenue over expenses.

1. Significant Accounting Policies (Cont'd)

Use of Estimates

The preparation of the Foundation's financial statements in conformity with Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants requires management to make estimates and assumptions that affect the reported amounts of 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 reporting period. Actual results could differ from those estimates.

Revenue Recognition

Donations and public support is reflected when funds are received. All other revenues are recorded on the accrual basis.

2. Funds Held in Trust

These amounts are invested in short term interest bearing guaranteed investment certificates. These amounts are not considered an asset of the Foundation and are not disclosed on the statement of financial position.

The principal portion of these Funds can not be used for operations but only the accrued interest is eligible to be disbursed for scholarships. Funds held in trust consist of:

	2014	2013
GIC, interest bearing, Matthew Churchill Fund	$ 53,825	$ 58,095
GIC, interest bearing, Residents Committee Fund	14,973	14,973
GIC, interest bearing, Barbara Heffern Fund	11,473	12,175
GIC, interest bearing, St. Boniface Memorial Scholarship	10,000	10,000
Total amounts held in trust	$ 90,271	$ 95,243
Trust liability	$ 90,271	$ 95,243

3. Restricted Cash

This cash is allocated to cover the payable amount committed to schools. The Foundation accepts donations on behalf of schools. These are donations for deposit that are earmarked for a particular school. The payment to the school would not be released until the school has provided proof that the money was spent for the intended purpose.

4. Financial Instrument Risks

The Foundation, as part of its operations, carries a number of financial instruments. It is management's opinion the Foundation is not exposed to significant interest, currency or credit risk arising from these financial instruments, except as otherwise disclosed. Unless otherwise noted, the fair value of these financial instruments approximates their carrying values.

4. Financial Instrument Risks (Cont'd)

Liquidity Risk

Liquidity risk is the risk that the Foundation will encounter difficulty in realizing its assets and meeting the obligations associated with its financial liabilities. The Foundation is exposed to this risk mainly in respect of its accounts payable. Liquidity risk is not considered to be significant.

NEWFOUNDLAND AND LABRADOR ENGLISH SCHOOL DISTRICT

AUDITOR'S REPORT
NON-CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2014

BYRON SMITH
CHARTERED ACCOUNTANT
MANAGEMENT CONSULTANT

STATEMENT OF RESPONSIBILITY

The accompanying non-consolidated financial statements of the Newfoundland and Labrador English School District [the "District"] are the responsibility of management and have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards.

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 Trustees [the "Board"] met with management and it's external auditors to review a draft of the non-consolidated financial statements and to discuss any significant financial reporting or internal control matters prior to their approval of the finalized non-consolidated financial statements.

Byron Smith, Chartered Accountant as the Board's appointed external auditor, has audited the non-consolidated financial statements. The auditor's report is addressed to the members of the Board and appears on the following page. The auditor's 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 non-consolidated financial statements are free of material misstatement and present fairly the financial position and results of the District in accordance with Canadian public sector accounting standards.

Chairperson

Treasurer

BYRON SMITH
CHARTERED ACCOUNTANT
MANAGEMENT CONSULTANT

BYRON SMITH

CHARTERED ACCOUNTANT
MANAGEMENT CONSULTANT

YRON D. SMITH, B. Comm., C.F.E., C.A.

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INDEPENDENT AUDITOR'S REPORT

To the Members of the Board of Trustees of:
Newfoundland and Labrador English School District

Report on the Financial Statements

I have audited the accompanying non-consolidated financial statements of the Newfoundland and Labrador English School District, which comprise the statement of financial position as at June 30, 2014 and the statements of operations, cash flows, and changes in net debt for the 10 months then ended and a summary of significant accounting policies and other explanatory information.

Managements Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these non-consolidated financial statements in compliance with legislation, and in accordance with Canadian 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 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 have been recorded but no offsetting receivables have 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 Newfoundland and Labrador English School District at June 30, 2014 and the results of its operations and its cash flows for 10 months then ended 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.

Other Matters

The comparative amounts for August 31, 2013 represent the combined amounts of the four former School Boards that were amalgamated on September 1, 2013. Each of the former School Boards financial statements were audited by different public accounting firms.

Spaniard's Bay, NL
October 21, 2014

Byron Smith
CHARTERED ACCOUNTANT

Newfoundland and Labrador English School District
Non-Consolidated - Statement of Financial Position

As at June 30, 2014

	June 30, 2014	August 31, 2013
FINANCIAL ASSETS		
Cash (Note 3)	$ 33,034,277	$ 43,441,977
Short-term investments (Note 4)	4,265,659	4,449,949
Accounts receivable (Note 5)	1,586,713	462,231
Due from government entities (Note 6)	15,652,799	6,946,750
Teachers' vacation pay receivable (Note 10)	79,962,072	
	134,501,520	55,300,907
FINANCIAL LIABILITIES		
Accounts payable and accrued liabilities (Note 9)	14,375,446	13,479,794
Long-term debt (Schedule 9 and 9A)	13,683,195	12,303,360
Obligation under capital lease (Note 12)	394,746	268,520
Accrued vacation pay (Note 10)	86,419,163	4,611,223
Employee future benefits		
Accrued sick pay (Note 11)	93,629,043	94,223,747
Accrued severance pay (Note 11)	130,143,647	127,806,964
Other employee benefits	161,417	182,581
Deferred revenue (Note 17)	13,651,384	19,280,561
	352,458,041	272,156,750
NET DEBT	(217,956,521)	(216,855,843)
NON-FINANCIAL ASSETS		
Prepaid expenses (Note 7)	1,169,967	929,099
Tangible capital assets (Schedule 8)	578,597,989	532,959,164
	579,767,956	533,888,263
ACCUMULATED SURPLUS		
Accumulated surplus - restricted (Note 19)	1,370,659	1,370,659
Accumulated surplus - unrestricted	360,440,776	315,661,761
	$ 361,811,435	$ 317,032,420

Commitments (Note 13)
Contingent liabilities (Note 16)

On Behalf of the Board:

_____________ Chairperson _____________ Treasurer

See accompanying notes to financial statements.

BYRON SMITH
CHARTERED ACCOUNTANT
MANAGEMENT CONSULTANT

Newfoundland and Labrador English School District
Non-Consolidated - Statement of Operations

For the 10 months ended June 30, 2014

	Budget	10 Months June 2014	2 Months August 2013
Revenue			
Provincial government grants (Schedule1)	$ 657,026,060	$ 728,318,954	$ 28,860,493
Ancillary services (Schedule 1)	865,018	730,882	237,965
Miscellaneous (Schedule 1)	2,822,149	2,716,071	144,361
Capital transfers from government		69,169,270	8,701,285
	660,713,227	800,935,177	37,944,104
Expenditures			
Administration (Schedule 2)	11,117,080	14,010,946	2,978,429
Human resources (Schedule 2)	1,281,735	1,453,599	
Instructional (Schedule 3)	533,754,719	599,333,132	17,451,974
Information technology (Schedule 4)	3,870,262	4,210,762	
Operations and maintenance (Schedule 5)	60,926,435	64,385,425	8,685,192
Pupil transportation (Schedule 6)	49,762,996	47,635,629	974,277
Miscellaneous (Schedule 7)		186,352	248,237
Amortization of capital assets (Schedule 8B)		24,924,236	4,611,449
Interest (Schedule 9A)		16,081	4,259
	$ 660,713,227	756,156,162	34,953,817
Annual surplus from operations - unrestricted		$ 44,779,015	$ 2,990,287

Accumulated surplus - unrestricted, beginning of period	$ 315,661,761	$ 312,671,474
Annual surplus from operations - unrestricted	44,779,015	2,990,287
Accumulated surplus - unrestricted, end of period	$ 360,440,776	$ 315,661,761

Accumulated surplus - restricted, beginning of period	$ 1,370,659	$ 1,370,659
Annual surplus from operations - restricted		
Accumulated surplus - restricted, end of period	$ 1,370,659	$ 1,370,659

See accompanying notes to financial statements.

BYRON SMITH
CHARTERED ACCOUNTANT
MANAGEMENT CONSULTANT

Newfoundland and Labrador English School District
Non-Consolidated - Statement of Changes in Net Debt

For the 10 months ended June 30, 2014

	10 Months June 30, 2014	2 Months August 31, 2013
Annual surplus from operations	$ 44,779,015	$ 2,990,287
Changes in tangible capital assets		
Acquisition of tangible capital assets	(70,889,522)	(11,778,384)
Loss on disposal of tangible capital assets	222,162	
Proceeds on disposal of tangible capital assets	104,299	
Amortization of tangible capital assets	24,924,236	4,611,449
Increase in net book value of tangible capital assets	(45,638,825)	(7,166,935)
Changes in other non-financial assets		
New change in prepaid expenses - increase/decrease	(240,868)	140,667
Increase in net debt	(1,100,678)	(4,035,981)
Net debt, beginning of period	(216,855,843)	(212,819,862)
Net debt, end of period	$ (217,956,521)	$ (216,855,843)

See accompanying notes to financial statements.

Newfoundland and Labrador English School District
Non-Consolidated - Statement of Cash Flows

For the 10 months ended June 30, 2014

	10 Months June 30, 2014	2 Months August 31, 2013
OPERATING ACTIVITIES		
Excess of revenue over expenditures	$ 44,779,015	$ 2,990,287
Items not affecting cash:		
Amortization of tangible capital assets	24,924,236	4,611,449
Loss on disposal of tangible capital assets	222,162	
Increase (decrease) in accrued vacation pay	81,807,940	(68,784,859)
Decrease in accrued sick pay	(594,704)	(99,592)
Increase in accrued severance pay	2,336,683	2,203,361
Decrease in other employee benefits liability	(21,164)	(16,259)
Decrease (increase) in short-term investments	184,290	(30,998)
(Increase) decrease in accounts receivable	(89,792,603)	68,257,248
(Increase) decrease in prepaid expenses	(240,868)	140,667
(Decrease) increase in deferred revenue	(5,629,177)	6,387,560
Increase (decrease) in accounts payable and accrued liabilities	895,652	(1,842,016)
	58,871,462	13,816,848
INVESTING ACTIVITIES		
Acquisition of tangible capital assets	(70,889,522)	(11,778,384)
Proceeds on disposal of tangible capital assets	104,299	
	(70,785,223)	(11,778,384)
FINANCING ACTIVITIES		
Proceeds from obligation under capital lease	236,496	
Repayment of obligation under capital lease	(110,270)	(17,697)
Proceeds from long-term borrowings	3,390,075	370,000
Repayment of long-term debt	(2,010,240)	(384,217)
	1,506,061	(31,914)
Change in cash resources	(10,407,700)	2,006,550
Cash, beginning of period	43,441,977	41,435,427
Cash, end of period	$ 33,034,277	$ 43,441,977

See accompanying notes to financial statements.

BYRON SMITH
CHARTERED ACCOUNTANT
MANAGEMENT CONSULTANT

Nature of Operations

The Newfoundland and Labrador English School District [the "District"] is responsible for the operations and maintenance of all English speaking schools in the Province of Newfoundland and Labrador. The District was formed September 1, 2013 after the Government of Newfoundland and Labrador [the "Province"] amalgamated four previous boards known as Eastern School District, Western School District, Nova Central School District, and Labrador 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 CPA Canada, supplemented by other CPA Canada accounting standards or pronouncements.

These non-consolidated 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 Education Foundation Inc. and Newfoundland International Student Exchange Program Inc ["NISEP"].

The net assets of the Education Foundation Inc. as at December 31, 2013 were $331,070 in accordance with the financial statements compiled by the corporation. The net assets of the NISEP as at June 30, 2014 are recorded in Note 9 of these non-consolidated 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 non-consolidated 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.

Leases

Leases that transfer to the District substantially all of the risks and rewards incidential to ownership of the leased items are accounted for as capital leases. Assets acquired under a capital lease result in a tangiable 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 of the lease.

All other leases are accounted for as operating leases and the related payments are expensed as incurred.

1. Significant Accounting Policies (Cont'd)

Tangible Capital Assets

Tangible capital assets assumed by the District on September 1, 2013, 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

The District capitalizes items purchased during the year that are in the excess of $15,000.

Teachers' and Student Assistants' Payroll

The Government of Newfoundland and Labrador 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 included 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 Provinces' 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.

(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. 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.

3. Cash

	June 30, 2014	August 31, 2013
Current and savings bank account	$ 32,260,082	$ 43,195,761
Teachers' payroll bank account	771,168	243,264
Other	3,027	2,952
	$ 33,034,277	$ 43,441,977

4. Short Term Investments

	June 30, 2014	August 31, 2013
Term deposits - restricted	$ 2,115,574	$ 2,330,615
Marketable securities	169,627	138,876
GIC	1,980,458	1,980,458
	$ 4,265,659	$ 4,449,949

Restricted 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.

5. Accounts Receivable

	June 30, 2014	August 31, 2013
Trade, miscellaneous and other	$ 1,550,442	$ 438,045
Interest	36,271	24,186
	$ 1,586,713	$ 462,231

6. Due from Government

	June 30, 2014	August 31, 2013
Government of Newfoundland and Labrador	$ 12,501,409	$ 5,731,088
Federal Government	3,151,390	1,215,662
	$ 15,652,799	$ 6,946,750

7. Prepaid Expenses

	June 30, 2014	August 31, 2013
Municipal service fees	$ 866,181	$ 300,218
Rent	117,394	98,921
Insurance	39,957	5,115
Workers compensation		376,801
Other	146,435	148,044
	$ 1,169,967	$ 929,099

8. 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, 2014 and June 30, 2013. 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.

9. Accounts Payable and Accrued Liabilities

	June 30, 2014	August 31, 2013
Trade payables	$ 6,801,069	$ 8,983,620
Wages	2,247,424	981,065
Payroll deductions	1,418,604	500,493
Accrued liabilities	1,275,109	692,415
Other		
N.I.S.E.P. due to a related corporation	1,121,189	803,108
Scholarship funds	856,640	877,987
Eastern School District Trust Fund	655,410	641,106
	$ 14,375,446	$ 13,479,794

10. 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 $79,962,072 at June 30, 2014.

	June 30, 2014	August 31, 2013
Vacation pay - teachers	$ 79,962,072	
Vacation pay - board employees	4,478,631	$ 2,988,141
Vacation pay - executive staff	1,978,460	1,623,082
Total Accrued Vacation Pay	$ 86,419,163	$ 4,611,223

11. Employee Future Benefits

The actuarial valuation date for sick leave and severance accrual was June 30, 2012 and has been extrapolated for August 31, 2013 and June 30, 2014. 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 3.70% as at June 30, 2014.

ACCRUED SEVERANCE	June 30, 2014	August 31, 2013
Severance Pay (Teachers)		
Accrued benefit liability, beginning of period	$ 116,452,061	$ 114,285,934
Benefits Expense	11,284,243	2,294,774
Benefits Paid	(9,153,518)	(128,647)
Accrued benefit liability (Teachers), end of period	118,582,787	116,452,061
Severance Pay (Board Employees)		
Accrued benefit liability, beginning of period	11,354,903	11,317,670
Benefits Expense	1,019,031	206,793
Benefits Paid	(813,073)	(169,560)
Accrued benefit liability (Board Employees), end of period	11,560,860	11,354,903
Total accrued severance pay liability, end of period	130,143,647	127,806,964
Unamortized portion of actuarial loss	5,119,195	396,181
Total accrued severance obligation	$ 135,262,842	$ 128,203,145

Reconciliation of Accrued Benefit Obligation from August 31, 2013 to June 30, 2014

	Board Employees	Teachers	Total
Accrued benefit obligation as at Aug 31, 2013	$ 11,385,856	$ 116,817,289	$ 128,203,145
Current period benefit cost	620,122	7,210,278	7,830,400
Benefits payments/contributions	(813,073)	(9,153,518)	(9,966,591)
Interest on the accrued benefit obligation	390,425	4,006,330	4,396,755
Actuarial (gains)/losses	411,585	4,387,548	4,799,133
Accrued benefit obligation as at June 30, 2014	$ 11,994,915	$ 123,267,927	$ 135,262,842

ACCRUED SICK LEAVE	June 30, 2014	August 31, 2013
Sick Leave (Teachers)		
Accrued benefit liability, beginning of period	$ 88,593,853	$ 88,685,113
Benefit Expense	8,616,435	1,739,633
Benefits Paid	(9,154,462)	(1,830,893)
Accrued benefit liability (Teachers), end of period	88,055,827	88,593,853
Sick Leave (Board Employees)		
Accrued benefits liability, beginning of period	5,629,894	5,638,226
Benefit Expense	664,432	135,698
Benefits Paid	(721,110)	(144,030)
Accrued benefit liability (Board Employees), end of period	5,573,216	5,629,894
Total accrued sick leave liability, end of period	93,629,043	94,223,747
Unamortized portion of actuarial loss	2,668,107	561,365
Total accrued sick leave obligation	$ 96,297,150	$ 94,785,112

Reconciliation of Accrued Benefit Obligation from August 31, 2013 to June 30, 2014

	Board Employees	Teachers	Total
Accrued benefit obligation as at Aug 31, 2013	$ 5,658,622	$ 89,126,490	$ 94,785,112
Current period benefit cost	468,353	5,537,989	6,006,342
Benefits payments/contributions	(721,110)	(9,154,462)	(9,875,572)
Interest on the accrued benefit obligation	191,323	3,019,758	3,211,081
Actuarial (gains)/losses	111,713	2,058,474	2,170,187
Accrued benefit obligation as at June 30, 2014	$ 5,708,901	$ 90,588,249	$ 96,297,150

12. 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, 2014 was $394,746 with a purchase option of $1. Interest has been imputed at various rates for these leases. Total interest paid on these leases was $25,565.

Future minimum payments under these capital leases is as follows for the year ending in:

	2015	$	127,723
	2016		128,175
	2017		100,092
	2018		51,456
	2019		12,864
Total future minimum lease payments			420,311
Less: amount representing interest			25,565
		$	394,746

13. 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:

2015	$	116,536
2016	$	116,536
2017	$	94,481
2018	$	46,949

14. 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.

15. 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.

16. 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.

17. 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. Changes in the funding deferred to future periods are as follows:

	June 30, 2014
Balance, beginning of period	$ 19,280,561
Less amounts recognized as revenue in the period	(10,912,882)
Add amounts received during the period	5,283,705
Balance, end of period	$ 13,651,384

Deferred revenue is comprised of the following:

	June 30, 2014
Operations and maintenance	$ 4,055,613
Instruction	7,941,901
Administration	1,339,115
Information Technology	167,576
Pupil transportation	147,179
	$ 13,651,384

18. Accumulated Surplus

The District has an annual surplus of $44,779,015 for the year ending June 30 2014, which consist of the following:

	June 30, 2014	August 31, 2013
Annual surplus from operations - unrestricted	$ 44,779,015	$ 2,990,287
Add: expenditures not funded through operating grant		
Amortization	24,924,236	4,611,449
Change in employee future benefits accrual	1,741,978	2,103,769
Vacation Pay Accrual for board executive	355,389	(83,525)
Less: non expenditure items funded through operating grant		
Principal payments on long-term debt and leases	(2,120,510)	(401,914)
Tangible capital asset additions funded from operating	(449,863)	(392,198)
Less: capital transfers from government	(69,169,270)	(8,701,285)
Adjusted annual surplus from operations	$ 60,975	$ 126,583

19. Restricted Surplus

In previous years, the Board of Trustees approved transfers totaling $1,370,659 to restricted equity for specified capital purposes.

BYRON SMITH
CHARTERED ACCOUNTANT
MANAGEMENT CONSULTANT

20. Budget

The unaudited budget data presented in these non-consolidated financial statements is based upon the Board approved budget for the 10 month period ended June 2014. 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	$ 660,713,227
Add: capital transfers from government	69,169,270
Revised budgeted revenues	729,882,497
Original budgeted expenditures	660,713,227
Add: amortization of tangible capital assets	24,924,236
Add: change in employee future benefits accrual	1,741,978
Revised budgeted expenditures	687,379,441
Original annual surplus (deficit)	NIL
Revised annual surplus	$ 42,503,056

Newfoundland and Labrador English School District
Schedule 1
Current Revenues

For the 10 months ended June 30, 2014

	Budget	10 Months June 30, 2014
Provincial Government Grants		
Regular operating grants	$ 91,396,492	$ 99,373,098
Special project grants		2,269,022
Directors, Assistant Directors and Senior Education Officers salaries and benefits	5,466,200	5,090,132
Teachers salaries and benefits	495,445,200	554,187,703
Student assistants salaries and benefits	15,569,620	17,426,807
Board owned pupil transportation	18,949,161	19,118,033
Contracted pupil transportation	23,863,476	22,974,620
Transportation administration		110,000
Special needs pupil transportation	6,335,911	6,880,412
Maintenance grants		889,127
	657,026,060	728,318,954
Ancillary Services		
Revenues from bus charters	413,300	267,436
Revenues from rental of schools and facilities	451,718	403,588
Summer and night school fees		59,858
	865,018	730,882
Miscellaneous		
Interest on investments and bank	456,896	473,986
Special project grants		295,184
Sundry revenue	2,365,253	32,704
Nunatsiavut government grants		1,914,197
	2,822,149	2,716,071
Total Current Revenues	$ 660,713,227	$ 731,765,907

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Newfoundland and Labrador English School District
Schedule 2
Administration and Human Resource Expenditures

For the 10 months ended June 30, 2014

Administration Expenditures

	Budget	10 Months June 30, 2014
Directors, Assistant Directors and Senior Education Officers salaries and benefits	$ 5,466,200	$ 5,445,521
Board office staff salaries and benefits	2,837,567	3,445,154
Transition expenses		1,823,655
Office supplies	171,833	140,527
Replacement furniture and equipment	57,685	13,778
Postage	147,487	184,842
Telephone	324,338	408,585
Office equipment rentals and repairs	47,366	21,169
Electricity	190,170	304,932
Repairs and maintenance	41,235	2,879
Travel	72,233	47,099
Board meeting expenses	169,072	126,627
Professional fees	288,326	759,746
Advertising and public relations	77,240	43,361
Membership dues	89,683	49,667
Municipal service fees	68,126	47,620
Insurance	17,290	
Rental of office space	1,025,994	1,126,995
Professional development and meetings	25,235	18,789
Total Administration Expenditures	$ 11,117,080	$ 14,010,946

Human Resource Expenditures

	Budget	10 Months June 30, 2014
Human resource staff salaries and benefits	$ 972,426	$ 1,167,469
Recruitment and training	116,709	125,719
Travel	77,934	45,076
Personnel services	114,666	115,335
Total Human Resource Expenditures	$ 1,281,735	$ 1,453,599

Newfoundland and Labrador English School District
Schedule 3
Instruction Expenditures

For the 10 months ended June 30, 2014

	Budget	10 Months June 30, 2014
Instructional Salaries and Benefits		
Regular teachers - salaries	$ 416,905,200	$ 456,460,526
Substitute teachers - salaries	18,540,000	21,391,340
Teachers benefits	60,000,000	76,335,836
Student assistants - salaries and benefits	15,569,620	17,426,807
School secretaries salaries and benefits	11,545,598	11,521,603
Board employees - salaries and benefits	759,682	684,502
Native teachers - salaries and benefits		1,291,019
Special projects - salaries and benefits		1,366,440
Change in employee future benefits accrual		1,741,978
	523,320,100	588,220,051
Instructional Materials		
Materials - schools	7,973,720	7,429,654
Materials - district	657,399	152,279
Aboriginal peoples programs		524,852
Special grant		1,259,493
	8,631,119	9,366,278
Instructional Furniture and Equipment		
Replacement	163,462	47,658
Instructional Staff Travel and PD		
Travel and PD - Instructional staff	1,296,659	1,302,534
Travel and PD - Aboriginal peoples programs		77,283
	1,296,659	1,379,817
Other Instructional Costs		
Other	343,379	319,328
Total Instruction Expenditures	$ 533,754,719	$ 599,333,132

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Newfoundland and Labrador English School District
Schedule 4
Information Technology

For the 10 months ended June 30, 2014

	Budget	10 Months June 30, 2014
Information technology staff salaries and benefits	$ 2,708,924	$ 3,248,385
Supplies and materials	991,259	737,434
Licences and subscription	37,000	78,204
Travel	133,079	146,739
Total Information Technology	$ 3,870,262	$ 4,210,762

Newfoundland and Labrador English School District
Schedule 5
Operations and Maintenance Expenditures

For the 10 months ended June 30, 2014

	Budget	10 Months June 30, 2014
Salaries and benefits - janitorial	$ 22,109,127	$ 23,388,442
Salaries and benefits - maintenance	5,851,207	5,939,347
Electricity	13,870,575	13,886,980
Fuel	4,471,150	4,850,116
Municipal service fee	2,215,505	2,487,688
Telephone	1,952,063	2,254,479
Snow clearing	3,755,907	4,538,705
Vehicle operating and travel	806,053	753,573
Janitorial supplies and equipment	1,406,093	1,311,542
Repairs and maintenance	4,488,755	3,556,808
Repairs and maintenance (Fund 2)		1,075,412
Special grants		342,333
Total Operations and Maintenance	$ 60,926,435	$ 64,385,425

Newfoundland and Labrador English School District
Schedule 6
Pupil Transportation Expenditures

For the 10 months ended June 30, 2014

	Budget	10 Months June 30, 2014
Board Owned Fleet		
Salaries and benefits - administration	$ 578,818	$ 771,075
Salaries and benefits - drivers and mechanics	11,637,448	11,700,507
Debt repayment- interest	322,916	290,611
Principal payments on bus loans	1,734,073	
Gas and oil	2,499,278	2,403,066
Licenses	101,364	122,980
Insurance	200,926	101,450
Repairs and maintenance - fleet	1,099,500	1,128,377
Building	143,281	79,642
Tires and tubes	145,002	87,842
Heat and light	160,827	139,921
Municipal service	26,233	48,037
Snow clearing	96,900	141,558
Office supplies	16,190	19,480
Rent	79,000	56,737
Travel	43,210	47,684
Professional fees	58,167	66
Miscellaneous	340,875	337,707
Telephone	122,120	125,205
	19,406,128	17,601,945
Contracted Services		
Regular transportation	23,753,477	24,438,561
Alternate transportation	6,335,911	5,416,471
	30,089,388	29,855,032
District Administration		
Salaries and benefits - administrative	254,936	212,537
Travel		7,959
Professional fees		7,915
Non funded equipment and expenses (recovery)	12,544	(49,759)
	267,480	178,652
Total Pupil Transportation Expenditures	$ 49,762,996	$ 47,635,629

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Newfoundland and Labrador English School District
Schedule 7
Miscellaneous Expenses

For the 10 months ended June 30, 2014

	10 Months June 30, 2014
Summer school and night school fees	$ 37,809
Bad debt expense (recovery)	(3,331)
Transfer to NISEP (Former Western School District)	151,874
Total Miscellaneous Expenditures	$ 186,352

Newfoundland and Labrador English School District
Schedule 8
Tangible Capital Assets

For the 10 months ended June 30, 2014

	Cost June 30, 2014	Accumulated Amortization 2014	NBV June 30, 2014	NBV August 31, 2013
Land and Sites	$ 15,601,169		$ 15,601,169	$ 15,364,886
Buildings				
Schools	976,094,625	$ 438,864,807	537,229,818	491,865,390
Administration	13,316,790	9,873,387	3,443,403	3,900,217
Residential	8,998,150	5,360,460	3,637,690	3,929,063
Other	57,356	44,032	13,324	18,104
	998,466,921	454,142,686	544,324,235	499,712,774
Furniture and Equip.				
Schools	56,541,292	54,349,451	2,191,841	503,628
Administration	12,084,348	11,442,741	641,607	636,421
Residential	2,384	2,384		
Computers	5,679,974	5,340,297	339,677	214,667
	74,307,998	71,134,873	3,173,125	1,354,716
Vehicles				
Service vehicles	2,391,507	1,989,222	402,285	516,698
Pupil Transportation				
Building	2,851,722	2,386,369	465,353	485,761
Buses	31,160,936	17,601,381	13,559,555	14,875,874
Service vehicles	361,691	319,745	41,946	32,740
	34,374,349	20,307,495	14,066,854	15,394,375
Misc. Capital Assets				
Parking lots	976,118	88,876	887,242	418,790
Tools	18,162	18,162		
Water lines	29,151	8,746	20,405	21,215
Oil tanks	557,812	435,138	122,674	175,710
	1,581,243	550,922	1,030,321	615,715
Total Capital Assets	$1,126,723,187	$ 548,125,198	$ 578,597,989	$ 532,959,164

Newfoundland and Labrador English School District
Schedule 8A
Details of Tangible Capital Assets - Additions and Disposals

For the 10 months ended June 30, 2014

	Cost August 31, 2013	Additions 2014	Disposals 2014	Cost June 30, 2014
Land and Sites	$ 15,364,886	$ 271,283	$ 35,000	$ 15,601,169
Buildings				
Schools	910,174,508	66,170,116	250,000	976,094,624
Administration	13,629,177	238,056	550,443	13,316,790
Residential	8,998,150			8,998,150
Other	57,356			57,356
	932,859,191	66,408,172	800,443	998,466,920
Furniture and Equip.				
Schools	54,578,593	1,962,699		56,541,292
Administration	11,827,028	257,320		12,084,348
Residential	2,384			2,384
Computers	5,399,377	280,597		5,679,974
	71,807,382	2,500,616		74,307,998
Vehicles				
Service vehicles	2,251,736	139,771		2,391,507
Pupil Transportation				
Building	2,851,722			2,851,722
Buses	30,276,053	1,033,893	149,008	31,160,938
Service vehicles	335,026	26,664		361,690
	33,462,801	1,060,557	149,008	34,374,350
Misc. Capital Assets				
Parking lot	466,995	509,123		976,118
Tools	18,162			18,162
Water lines	29,151			29,151
Oil tanks	557,812			557,812
	1,072,120	509,123		1,581,243
Total Capital Assets	$1,056,818,116	$ 70,889,522	$ 984,451	$1,126,723,187

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Newfoundland and Labrador English School District
Schedule 8B
Details of Tangible Capital Assets - Amortization

For the 10 months ended June 30, 2014

	Accumulated Amortization August 2013	Amortization 2014	Amortization on disposals 2014	Change in Amortization 2014	Accumulated Amortization June 2014
Land and Sites					
Buildings					
Schools	$ 418,309,119	$ 20,555,688		$ 20,555,688	$ 438,864,807
Administration	9,728,960	653,409	$ 508,982	144,427	9,873,387
Residential	5,069,087	291,373		291,373	5,360,460
Other	39,252	4,780		4,780	44,032
	433,146,418	21,505,250	508,982	20,996,268	454,142,686
Furniture and Equip.					
Schools	54,074,965	274,486		274,486	54,349,451
Administration	11,190,607	252,134		252,134	11,442,741
Residential	2,384				2,384
Computers	5,184,710	155,587		155,587	5,340,297
	70,452,666	682,207		682,207	71,134,873
Vehicles					
Service vehicles	1,735,037	254,185		254,185	1,989,222
Pupil Transportation					
Building	2,365,961	20,408		20,408	2,386,369
Buses	15,400,179	2,350,210	149,008	2,201,202	17,601,381
Service vehicles	302,286	17,459		17,459	319,745
	18,068,426	2,388,077	149,008	2,239,069	20,307,495
Misc. Capital Assets					
Parking lots	48,205	40,671		40,671	88,876
Tools	18,162				18,162
Water lines	7,936	810		810	8,746
Oil tanks	382,102	53,036		53,036	435,138
	456,405	94,517		94,517	550,922
Total Capital Assets	$ 523,858,952	$ 24,924,236	$ 657,990	$ 24,266,246	$ 548,125,198

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Newfoundland and Labrador English School District
Schedule 9
Long-Term Debt

For the 10 months ended June 30, 2014

Bank Loans, Variable Rate and Unsecured

Creditor	Monthly Principal	Plus Interest	Maturity Date	June 30, 2014
Bank of Montreal	$ 9,443	Prime +2%	2014	$ 18,887
TD Canada Trust	$ 15,542	Prime -1%	2015	42,515
Total Loans				61,402

Pupil Transportation Loans, Variable Rate

Creditor	Monthly Principal	Plus Interest	Maturity Date	June 30, 2014
Bank of Montreal	$ 1,679	Prime +2%	2014	6,716
TD Canada Trust	$ 1,125	Prime -1%	2014	5,626
Scotiabank	$ 1,696	Prime	2014	25,437
Bank of Montreal	$ 3,910	Prime +2%	2015	46,925
TD Canada Trust	$ 2,914	Prime -1%	2015	26,339
TD Canada Trust	$ 2,793	Prime -1%	2015	25,140
CIBC	$ 1,095	Prime	2015	1,094
Scotiabank	$ 2,523	Prime	2015	252,361
TD Canada Trust	$ 3,794	Prime -1%	2016	106,253
Bank of Montreal	$ 4,336	Prime +2%	2016	99,727
TD Canada Trust	$ 1,084	Prime -1%	2016	29,270
CIBC	$ 1,117	Prime	2016	17,875
CIBC	$ 1,675	Prime	2016	26,792
Scotiabank	$ 4,459	Prime	2016	548,451
Scotiabank	$ 4,687	Prime	2016	515,486
Scotiabank	$ 2,924	Prime	2016	146,144
CIBC	$ 542	Prime	2017	14,091
TD Canada Trust	$ 21,563	Prime -1%	2017	797,833
CIBC	$ 542	Prime	2017	14,634
CIBC	$ 4,530	Prime	2018	181,199
TD Canada Trust	$ 24,443	Prime -1%	2019	1,197,709
CIBC	$ 5,930	Prime	2019	314,308
CIBC	$ 3,025	Prime	2022	305,525
CIBC	$ 3,201	Prime	2023	352,153
TD Canada Trust	$ 7,873	Prime -1%	2023	873,848
TD Canada Trust	$ 13,293	Prime -1%	2023	1,316,054
TD Canada Trust	$ 6,182	Prime -1%	2025	773,461
TD Canada Trust	$ 5,538	Prime	2025	747,654
TD Canada Trust	$ 6,806	Prime	2025	932,361
CIBC	$ 5,521	Prime	2025	701,116
Scotiabank	$ 2,659	Prime	2025	344,040
Total Pupil Transportation				10,745,622

Pupil Transportation Loans, Fixed Rate

Creditor	Blended Pys	Interest Rate	Maturity Date	June 30, 2014
Bank of Montreal	$ 4,393	4.55%	2015	157,960
Royal Bank	$ 4,320	5.046%	2018	201,223
Bank of Montreal	$ 2,256	3.59%	2022	193,069
Royal Bank	$ 3,759	2.60%	2023	370,444
Royal Bank	$ 3,788	3.02%	2024	400,234
Royal Bank	$ 4,604	3.08%	2025	531,121
Royal Bank	$ 8,782	3.03%	2025	1,022,120
Total Pupil Transportation				2,876,171

Total Long Term Debt	$ 13,683,195

Security for certain loans has been provided in the form of chattel mortgages over specific vehicles.

Long-Term Debt

Description	Balance Beginning of Year	Loans Obtained During Year	Principal Repayment for Year	Balance End of Year
Equipment	$ 310,359		$ 248,957	$ 61,402
Transportation	11,993,001	$ 3,390,075	1,761,283	13,621,793
Total Loans	$ 12,303,360	$ 3,390,075	$ 2,010,240	$ 13,683,195

Annual principal payments

Annual principal payments to maturity are as follows:

2015	$ 2,190,921
2016	$ 1,987,974
2017	$ 1,886,350
2018	$ 1,563,529
2019	$ 1,109,265
Thereafter	$ 4,945,156

Interest Expense

	June 30, 2014
Equipment - leases	$ 12,202
Energy management - capital lease	3,879
Total expense	$ 16,081

BYRON SMITH
CHARTERED ACCOUNTANT
MANAGEMENT CONSULTANT

NEWFOUNDLAND AND LABRADOR
FILM DEVELOPMENT CORPORATION

Financial Statements

Year Ended March 31, 2015

Pinsent & Associates

Chartered Professional Accountants
P.O. Box 8411, Station A
St. John's, NL A1B 3N7

Tel: (709) 738-5300
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INDEPENDENT AUDITOR'S REPORT

To the Directors of Newfoundland and Labrador Film Development Corporation

We have audited the accompanying financial statements of Newfoundland and Labrador Film Development Corporation, which comprise the statement of financial position as at March 31, 2015 and the statements of revenues and expenditures, 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 for Not-for-Profit Organizations, 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.

(continues)

Independent Auditor's Report to the Directors of Newfoundland and Labrador Film Development Corporation *(continued)*

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Newfoundland and Labrador Film Development Corporation as at March 31, 2015 and the results of its operations and its cash flows for the year then ended in accordance with Public Sector Accounting standards for Not - for - Profit Organizations.

Pinsent & Associates

St. John's, Newfoundland and Labrador
August 12, 2015

CHARTERED PROFESSIONAL ACCOUNTANTS

NEWFOUNDLAND AND LABRADOR FILM DEVELOPMENT CORPORATION

Statement of Revenues and Expenditures

Year Ended March 31, 2015

	Budget 2015	**2015**	2014
REVENUE	$ 707,100	**$ 707,100**	$ 699,000
EXPENDITURES			
Salaries and wages	415,255	**409,221**	414,600
Travel & marketing	85,200	**109,794**	87,158
Sponsorships	78,300	**90,702**	78,848
Office *(Note 5)*	76,845	**71,866**	70,773
Advertising and promotion	13,000	**16,791**	16,213
Training	21,000	**14,849**	19,737
Professional fees	10,000	**8,995**	7,730
Amortization	-	**800**	1,284
Miscellaneous	3,500	**532**	3,707
Promotional materials and publications	4,000	**437**	1,778
	707,100	**723,987**	701,828
DEFICIENCY OF REVENUE OVER EXPENDITURES FROM OPERATIONS	-	**(16,887)**	(2,828)
OTHER INCOME	-	**2,345**	2,790
DEFICIENCY OF REVENUE OVER EXPENDITURES	$ -	**$ (14,542)**	$ (38)

See notes to financial statements

NEWFOUNDLAND AND LABRADOR FILM DEVELOPMENT CORPORATION

Statement of Financial Position

March 31, 2015

	2015	2014
ASSETS		
CURRENT		
Cash	$ 631,813	$ 139,613
Accounts receivable	65,154	67,979
Prepaid expenses	5,588	9,791
	702,555	217,383
PROPERTY, PLANT AND EQUIPMENT *(Note 3)*	1,814	2,614
	$ 704,369	$ 219,997
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable	$ 25,205	$ 32,381
Payables and accruals - Equity Investment Program	696,830	193,266
	722,035	225,647
NET ASSETS		
Share capital *(Note 4)*	3	3
Operations fund	(20,706)	(6,164)
Equity fund	3,037	511
	(17,666)	(5,650)
	$ 704,369	$ 219,997

ON BEHALF OF THE BOARD

Karen Goldman Director

Director

See notes to financial statements

NEWFOUNDLAND AND LABRADOR FILM DEVELOPMENT CORPORATION

Statement of Changes in Net Assets

Year Ended March 31, 2015

	Operations Fund	Equity Fund	**2015**	2014
NET ASSETS - BEGINNING OF YEAR	$ (6,164)	$ 511	**$ (5,653)**	$ 12,530
Deficiency of revenue over expenditures	(14,542)	-	**(14,542)**	(38)
Excess of receipts over commitments (commitments over receipts) - Equity Investment Program (EIP) (Schedule 1)	-	2,526	**2,526**	(18,145)
NET ASSETS - END OF YEAR	$ (20,706)	$ 3,037	**$ (17,669)**	$ (5,653)

See notes to financial statements

NEWFOUNDLAND AND LABRADOR FILM DEVELOPMENT CORPORATION

Statement of Cash Flows

Year Ended March 31, 2015

	2015	2014
OPERATING ACTIVITIES		
Deficiency of revenue over expenditures	$ (14,542)	$ (38)
Items not affecting cash:		
Amortization of property, plant and equipment	800	1,284
Excess of receipts over commitments (commitments over receipts) - (Equity Fund)	2,526	(18,143)
	(11,216)	(16,897)
Changes in non-cash working capital:		
Accounts receivable	2,825	(37,323)
Accounts payable	(7,176)	(33,113)
Prepaid expenses	4,203	130
Payables and accruals - Equity Investment Program	503,564	(36,944)
	503,416	(107,250)
INCREASE (DECREASE) IN CASH FLOW	492,200	(124,147)
Cash - beginning of year	139,613	263,760
CASH - END OF YEAR	$ 631,813	$ 139,613
CASH CONSISTS OF:		
Cash	$ 631,813	$ 139,613

See notes to financial statements

1. DESCRIPTION OF BUSINESS

The Corporation is incorporated under the Newfoundland and Labrador Corporations Act. Its primary purpose is to promote the development of, and to stimulate employment and investment in, the Provincial film and video industry by providing financial and other assistance.

The Corporation has been designated by the Province's Finance Minister to administer the Newfoundland and Labrador Film Tax Credit Program, including registration of productions, review of tax credit applications and recommendations to the Department of Finance.

The Corporation is exempt from paying income taxes under Section 149 of the Canadian Income Tax Act.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements were prepared in accordance with Canadian Public Sector Accounting Standards (PSA) for not for profit organizations as issued by the Public Sector Accounting Board (PSAB).

Fund accounting

Newfoundland and Labrador Film Development Corporation follows the restricted fund method of accounting for contributions.

The Operations Fund accounts for the organization's program delivery and administrative activities. This fund reports unrestricted resources and restricted operating grants.

The Equity Investment Fund reports only restricted resources that are to be used for equity investment purposes.

Financial instruments policy

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealised gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

When financial instruments that include both a debt and an equity component are issued, the proceeds are allocated firstly to the component for which the fair value is more readily determinable, and the residual is allocated to the other component.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian Public Sector accounting standards for not for profit enterprises 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.

(continues)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment

Property, plant and equipment are stated at cost or deemed cost less accumulated amortization. Property, plant and equipment are amortized over their estimated useful lives at the following rates and methods:

Computer equipment	45%	declining balance method
Furniture and fixtures	20%	declining balance method

Property, plant and equipment acquired during the year but not placed into use are not amortized until they are placed into use.

3. PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated amortization	**2015 Net book value**	2014 Net book value
Computer equipment	$ 47,849	$ 47,240	**$ 609**	$ 1,108
Furniture and fixtures	19,176	17,971	**1,205**	1,506
	$ 67,025	$ 65,211	**$ 1,814**	$ 2,614

4. SHARE CAPITAL

Authorized:
600 Common voting shares of no par value

	2015	2014
Issued:		
600 Common shares	**$ 3**	$ 3

5. Office

Office expense consists of the following:

	2015	2014
Rent and maintenance	**$ 41,249**	$ 40,345
Communications	**11,633**	12,503
Office Equipment	**2,303**	2,190
Board meeting expense	**4,058**	4,892
Travel	**2,957**	3,535
Office Supplies	**2,348**	2,260
Meeting Supplies	**2,170**	2,088
Printing	**2,064**	1,005
Postage	**931**	100
Business tax	**863**	863
Banking fees Operating	**641**	762
Computer maintenance	**565**	149
Banking fees	**83**	82
	$ 71,865	$ 70,774

6. EQUITY INVESTMENTS

Production assistance in the form of equity investment is provided to eligible producers for the financing of productions that will provide employment and economic benefits to Newfoundland and Labrador. Equity investments are made with the condition of repayment through participation in revenue generated by projects. Revenue is recorded as Recoupment when received.

Based on the Corporation's low Recoupment rate, an allowance has been set up to write-off the cumulative equity investment, net of Recoupment.

	2015	2014
Equity Investment	**$ 37,310,590**	$ 33,420,116
Allowance against Equity Investment	**(36,928,034)**	(33,091,800)
Recoupment - Equity Investment	**(382,556)**	(328,316)
	$ -	$ -

7. PROJECT DEVELOPMENT LOANS

The Corporation provides loans to qualified applicants to support the process of film and video development that takes an idea through the stages of research, writing, market analysis and budget development. This work must precede the completion of production financing arrangements. Support for the development of a project does not necessarily imply support for a production.

Project development loans are interest free and are to be repaid on the earlier of the first day of principal photography or on the optioning, sale, or transfer of the property to a third party.

An allowance has been made to write-off the cumulative amount of these development loans.

	2015	2014
Development Loans	$ 4,336,033	$ 3,650,178
Allowance against development loans	(4,336,033)	(3,650,178)
	$ -	$ -

8. COMMITMENTS

Because of the lead times required to obtain all the resources necessary to complete film and video productions, the corporation approves applications for funding which will, on occasion, result in program disbursements in subsequent fiscal periods, pending availability of funds.

As at March 31, 2015, the Corporation was contractually committed to advance funds totaling $4,158,437 (2014 - 564,903) from the Equity Investment Program as investments and loans in respect of current and future projects subject to the availability of funds in subsequent years and other terms and conditions as outlined in the funding agreements.

	2015
Get Set Films Inc. - Almost Thirty	$ 10,000
Media Connections Film Inc. - Avon Ladies Rural Style	9,900
Morag Loves Armageddon Inc. - Armageddon	330,000
Morag Loves Away Inc. - Away From Everywhere	271,269
Odd Sock Films Inc. - Franklin River Blockade	12,797
Odd Sock Films Inc. - Shoot Me	16,243
Panoramic Pictures Inc. - Touch	20,856
Pope Productions Ltd. - Amelia Curran Mental Health Project	22,400
Pope Productions Ltd. - Hole in the Wall	21,489
Republic Season 5 Inc. - Republic of Doyle Season 5	1,250,000
Republic Season 6 Inc. - Republic of Doyle Season 6	1,090,000
Rink Rat Productions Inc. - When the Boys Came Home	61,412
Rock Island Productions Ltd. - Wild Thing	34,650
Small Shack Productions Inc. - Maudie	637,500
Take the Shot Productions Inc. - Frontier	330,000
Take the Shot Productions Inc. - Chaos	18,500
Take the Shot Productions Inc. - The Black Strand II	3,978
Wreckhouse Productions Inc. - Atlantic	17,443
	$ 4,158,437

9. ECONOMIC DEPENDENCE

The Corporation is economically dependant on the Government of Newfoundland and Labrador for annual funding.

10. COMPARATIVE FIGURES

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

NEWFOUNDLAND AND LABRADOR FILM DEVELOPMENT CORPORATION

Schedule of Receipts and Commitments - Equity Investment Program *(Schedule 1)*

Year Ended March 31, 2015

	2015	2014
Receipts		
Province of Newfoundland and Labrador Funding - Republic of Doyle	$ 2,500,000	$ 2,750,000
Province of Newfoundland and Labrador Funding	2,000,000	2,000,000
Recoupment	54,240	19,767
Interest Earned	1,999	1,500
	$ 4,556,239	$ 4,771,267
Current year commitments		
8727775 Canada Inc. - Passage Interdit	$ 3,348	$ -
Away Films Inc. - Crawlspace	-	65,000
Away Films Inc. - Picture Start - Cancergirl	19,130	7,425
Burlington Season I Inc. - Majumder Manor Digital Media	-	30,000
Beagle Media Corp. - George Street TV 5	15,906	-
Beagle Media Corp. - Spoiled Rotten	15,411	-
Best Boy Productions Ltd. - The Deadleys	9,404	-
Best Boy Productions Ltd. - Nexus	14,728	-
Best Boy Productions Ltd. - Junior Achievers	34,650	-
Best Boy Productions Ltd. - Ill of the Dead	12,808	-
Best Boy Productions Ltd. - Billy 9F	10,626	-
Best Boy Productions Ltd. - Laneway	10,626	-
Burlington Season II Inc. - Majumder Manor Season 2	200,000	143,500
Blue Pinion Films Inc. - Buy the Boards	-	6,270
Breathless Films Inc. - Can Con	-	3,965
Circa 16 Films Ltd. - Keystone Picture Start	21,047	-
Carrie at Heart Productions Ltd. - The Manor	5,775	-
Clew up Productions Ltd. - Redneck Riders phase 2	-	11,450
Closet Monster Inc. - Closet Monster	350,000	-
Elemental Pictures Inc. - Northern Pikes	-	21,994
Cranky Goat Entertainment Ltd. - Dry Swallow	7,920	-
Cranky Goad Entertainment Ltd. - Newfoundland Ponies	35,000	-
Fire Crown Productions Inc. - Bolt Out of the Blue Pilot	-	11,000
F. James TV Film Co. Ltd. - Club One International Series	78,492	-
Gailin Productions Inc. - Outside In	-	30,000
Genius Productions Inc. - Experience Genie	19,800	-
Henge Productions and Consulting Limited - Regrets	-	7,915
Kickham East Productions Inc. - Last Resort Ph 2	11,319	-
Kickham East Productions Inc. - St. John's West Phase 4	-	8,600
Island Horse Productions Ltd. - Slattery Street Crockers	-	21,644
LGH Films Inc. - Picture Start - Sadie	18,227	-
Lazybank Productions Inc. - From Labrador to Hollywood	5,940	-
Matchcut Productions Inc. - Long Term Care - Picture Start	23,100	-
Media Connections Inc. - Bullet for the General	13,695	-
Media Connections Film Inc. - Come Home Year	15,840	-
Media Connections Film Inc. - Terranova Matador: Carolyn Hayward	35,000	-
Media Connections Inc. - Vocation phase 3	-	6,400
MF Productions Ltd. - Mickey Series V	-	300,000
Mickey's Farm (Season 4) Ltd. - Mickey's Farm Series 4	-	52,000
Morag Loves Away Inc. - Away From Everywhere	200,000	-
Morag Loves Armageddon Inc. - Armageddon	82,500	-
Morag Loves Company Inc. - Armadgeddon	25,000	-
Morag Loves Company Inc. - Moonshine	9,563	-
Morag Loves Company Inc. - Viking Secrets	11,882	-

See notes to financial statements

NEWFOUNDLAND AND LABRADOR FILM DEVELOPMENT CORPORATION

Morag Loves Company Limited - Ben and Jerry	**12,337**	-
Morag Loves Company Limited - The Grand Seduction	-	175,000
Odd Sock Films Inc. - Shoot Me	-	6,811
Odd Sock Films Inc. - Relative Happiness	-	85,300
Odd Sock Films Inc. - So it was	-	5,660
Pet ER (Season 2) Inc. - Pet ER Season 2	-	98,000
Save My Pet Inc. - Pet ER Season III	-	453,829
Pope Music Season 1 Ltd. - Heavyweather vol 4 and 5	**65,000**	-
Sexton and Son Productions inc. - Social Work	**17,846**	-
Springwater Productions Inc. - Schoolhouse Memories	**12,375**	-
Panoramic Pictures Inc. - Touch - Picturestart	**20,856**	-
Pebble Mountain Productions Inc. - On the Outside Looking In	**26,598**	-
Pope Productions Ltd. - NL Entertains	-	87,000
Pope Productions Ltd. - NL Entertains Season 2	**16,000**	100,000
Pope Productions Ltd. - Good Citizen	**35,000**	-
Republic Season 4 Inc. - Republic of Doyle IV	-	1,500,000
Republic Season 5 Inc. - Republic of Doyle V	**1,250,000**	1,250,000
Republic Season 6 Inc. - Republic of Doyle VI	**1,250,000**	-
Rink Rat Productions Inc. - How to be Deadly	-	225,000
Rink Rat Productions Inc. - When the Boys Came Home	**54,678**	-
Rink Rat Productions Inc. - Half Hour Ahead	-	10,164
Rock Island Productions Inc. - Auntie Vigilantes	**10,905**	-
Pope Productions Ltd. - Magic of Boxer Connors	**21,489**	-
Sexton and Son Productions Inc. - How to be Deadly	**17,000**	-
Small Shack Productions Inc. - Maudie	**212,500**	-
Take the Shot - Overwatch	-	20,000
Take the Shot Productions Inc. - Lanier Phillips Story	**19,000**	-
Take the Shot Productions Inc. - Badlands	-	24,750
Take the Shot Productions Inc. - Crosbie Show	-	14,850
Take the Shot Productions Inc. - Treading Water	-	12,375
Take the Shot Productions Inc. - Battle Harbour	-	13,000
Take the Shot Productions Inc. - The Ship	**21,650**	-
Take the Shot Productions inc. - Frontier	**45,000**	-
The Figaro Brothers Family Circus Film Company Corp. - A Handyman's Guide to MS	-	25,742
Two Rock Productions Inc. - Puffin Patrol	**114,304**	-
Upskydown Films Inc. - Picture Start - Between Two Walls	**22,179**	-
Upskydown Films Inc. - Captain Newfoundland	**14,875**	-
	$ 4,576,329	$ 4,834,644
Excess of receipts over commitments (commitments over receipts)	**$ (20,090)**	$ (63,377)
Opening Balance	**511**	18,656
Expired from previous year - Pet ER	**22,616**	45,232
	$ 3,037	$ 511

See notes to financial statements

NEWFOUNDLAND AND LABRADOR
GOVERNMENT SINKING FUND

FINANCIAL STATEMENTS

MARCH 31, 2015

AUDITOR GENERAL
of Newfoundland and Labrador

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of the
Newfoundland and Labrador Government Sinking Fund
St. John's, Newfoundland and Labrador

Report on the Financial Statements

I have audited the accompanying financial statements of the Newfoundland and Labrador Government Sinking Fund which comprise the balance sheet as at March 31, 2015, and the statements of statutory contributions, retained earnings, revenues and expenses, 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 the accounting policies described in Note 1 to meet the information needs of the Newfoundland and Labrador Government Sinking Fund and the Government of Newfoundland and Labrador under Section 39 of the *Financial Administration Act* and under the various debentures which require the establishment of sinking funds, 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 judgment of the auditor, 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 Newfoundland and Labrador Government Sinking Fund as at March 31, 2015, and its financial performance and its cash flows for the year then ended in accordance with the accounting policies described in Note 1 to these financial statements.

Basis of Accounting and Restriction on Use

Without modifying my opinion, I draw attention to Note 1 of the financial statements which describes the basis of accounting. These financial statements are solely for the information of the Newfoundland and Labrador Government Sinking Fund and the Government of Newfoundland and Labrador to meet their information needs under Section 39 of the *Financial Administration Act* and under the various debentures which require the establishment of sinking funds. As a result, the financial statements may not be suitable for another purpose. My report is intended solely for the use of the Newfoundland and Labrador Sinking Fund and the Government of Newfoundland and Labrador and should not be used by anyone other than the specified users.

TERRY PADDON, CPA, CA
Auditor General

September 16, 2015
St. John's, Newfoundland and Labrador

NEWFOUNDLAND AND LABRADOR GOVERNMENT SINKING FUND
BALANCE SHEET

As at March 31	2015	2014
	(000's)	(000's)
ASSETS		
Current		
Cash	$ 55,798	$ 70,772
Interest and other receivables		
Province of Newfoundland and Labrador - guaranteed	8,978	8,646
Other	5,483	4,859
	70,259	84,277
Investments, at amortized cost (Schedule)		
Cost	980,845	904,348
Accumulated amortization of discounts and premiums	53,964	96,497
	1,034,809	1,000,845
	$ 1,105,068	$ 1,085,122
LIABILITIES AND SINKING FUND EQUITY		
Current		
Accounts payable and accrued liabilities	$ 10	$ 13
Due to Province of Newfoundland and Labrador	99	71
	109	84
Sinking fund equity		
Accumulated statutory contributions	629,996	611,358
Retained earnings	474,963	473,680
	1,104,959	1,085,038
	$ 1,105,068	$ 1,085,122

See accompanying notes

Signed on behalf of the Board:

Chairperson and Trustee

Trustee

NEWFOUNDLAND AND LABRADOR GOVERNMENT SINKING FUND
STATEMENT OF STATUTORY CONTRIBUTIONS

For the Year Ended March 31	2015	2014
	(000's)	(000's)
Balance, beginning of year	**$ 611,358**	$ 580,909
Add: receipts for the year	**46,620**	47,702
Foreign currency translation adjustment (Note 2)	**26,018**	13,806
	683,996	642,417
Statutory contributions applicable to matured/redeemed debentures	**(54,000)**	(31,059)
Balance, end of year	**$ 629,996**	$ 611,358

See accompanying notes

NEWFOUNDLAND AND LABRADOR GOVERNMENT SINKING FUND
STATEMENT OF RETAINED EARNINGS

For the Year Ended March 31	2015	2014
	(000's)	(000's)
Balance, beginning of year	**$ 473,680**	$ 437,088
Net income for the year	**62,372**	56,224
Foreign currency translation adjustment (Note 2)	**25,678**	13,329
	561,730	506,641
Retained earnings applicable to matured/redeemed debentures	**(86,767)**	(32,961)
Balance, end of year	**$ 474,963**	$ 473,680

See accompanying notes

NEWFOUNDLAND AND LABRADOR GOVERNMENT SINKING FUND
STATEMENT OF REVENUES AND EXPENSES

For the Year Ended March 31	2015	2014
	(000's)	(000's)
REVENUES		
Interest income		
Debentures	$ 42,341	$ 40,139
Term deposits and short-term investments	-	7
Other	862	545
	43,203	40,691
Foreign currency translation gains (Note 2)	9,229	4,096
Amortization of discounts and premiums	10,195	11,705
	62,627	56,492
EXPENSES		
Salaries and benefits	140	152
General	115	116
	255	268
Net income	$ 62,372	$ 56,224

See accompanying notes

NEWFOUNDLAND AND LABRADOR GOVERNMENT SINKING FUND
STATEMENT OF CASH FLOWS

For the Year Ended March 31	2015	2014
	(000's)	(000's)
Cash flows from operating activities		
Net income	$ 62,372	$ 56,224
Adjustment for non-cash items		
Amortization of discounts and premiums	(10,195)	(11,705)
Foreign currency translation gains (Note 2)	(9,229)	(4,096)
	42,948	40,423
Change in non-cash working capital	(931)	561
	42,017	40,984
Cash flows from financing activities		
Statutory contributions	46,620	47,702
Cash flows used in investing activities		
Purchase of investments	(69,676)	(81,073)
Proceeds from redemption and sale of investments	100,918	47,258
Payments to Province upon maturing debentures	(140,767)	(64,020)
	(109,525)	(97,835)
Net decrease in cash and cash equivalents	(20,888)	(9,149)
Effect of foreign currency translation adjustment (Note 2)	5,914	3,421
Cash and cash equivalents, beginning of year	70,772	76,500
Cash and cash equivalents, end of year	$ 55,798	$ 70,772
Cash and cash equivalents include:		
Cash	$ 55,798	$ 70,772
Term deposits and short-term investments	-	-
	$ 55,798	$ 70,772

See accompanying notes

NEWFOUNDLAND AND LABRADOR GOVERNMENT SINKING FUND
SCHEDULE OF INVESTMENTS

March 31	2015		2014	
	Face Value or Par (000's)	Amortized Cost (000's)	Face Value or Par (000's)	Amortized Cost (000's)
Canadian				
Province of Newfoundland and Labrador - guaranteed				
Province of Newfoundland and Labrador	$ 91,376	$ 98,218	$ 109,307	$ 116,733
Newfoundland and Labrador Municipal Financing Corporation	16	16	2,146	2,149
Newfoundland and Labrador Hydro	30,248	34,482	30,248	34,781
Health Care Corporation (Eastern Health)	17,500	25,673	7,500	10,469
Coupons and residuals	202,268	117,406	258,871	166,297
	341,408	275,795	408,072	330,429
Other coupons and residuals	321,333	173,675	327,590	172,570
Other securities	98,544	109,084	107,276	115,870
	761,285	558,554	842,938	618,869
U.S.				
Province of Newfoundland and Labrador - guaranteed				
Province of Newfoundland and Labrador	169,712	183,847	146,985	161,011
Other securities	235,513	267,895	170,931	200,567
Coupons	27,194	21,241	23,735	17,670
Residuals	3,971	3,272	3,466	2,728
	436,390	476,255	345,117	381,976
Total investments	$ 1,197,675	$ 1,034,809	$ 1,188,055	$ 1,000,845

See accompanying notes

Authority

The Province of Newfoundland and Labrador issues debentures, most of which have sinking fund requirements. For debentures which have sinking fund requirements, the Province makes the required sinking fund payments (statutory contributions) to the Board of Trustees of the Newfoundland and Labrador Government Sinking Fund. This is an unincorporated body formed under the *Financial Administration Act.* All members of the Board are full-time employees of the Province and are appointed by the Lieutenant-Governor in Council.

The Newfoundland and Labrador Sinking Fund is not subject to Provincial or Federal income taxes.

1. Basis of accounting

These special purpose financial statements have been prepared by the Newfoundland and Labrador Government Sinking Fund in accordance with the summary of significant accounting policies set out below to meet the information needs of the Newfoundland and Labrador Government Sinking Fund and the Government of Newfoundland and Labrador under Section 39 of the *Financial Administration Act* and under the various debentures which require the establishment of sinking funds.

Summary of significant accounting policies

These financial statements have been prepared on the accrual basis of accounting. Outlined below are the significant policies followed.

(a) Cash and cash equivalents

Cash and cash equivalents include balances with banks, and term deposits and short-term investments with original maturities of three months or less.

Short-term deposits are recorded at cost which approximates market value because of the short-term nature of the securities.

1. **Basis of accounting (cont.)**

Summary of significant accounting policies (cont.)

(b) Investment transactions

(i) Purchases: Investments are initially recorded at cost.

(ii) Amortization: Discounts and premiums are amortized on a straight-line basis from the date of purchase until maturity.

(iii) Sales: Sales of investments are at a negotiated selling price. Sales are recorded at the proceeds less the investment's average amortized cost, with any resulting gain or loss also recorded.

(iv) Redemptions: On occasion, investments held in the Fund will be called for redemption by the issuer. In such instances, a gain is recorded equal to the redemption proceeds less the investment's average amortized cost.

(c) Maturity of a Province of Newfoundland and Labrador debenture issue for which a sinking fund has been provided:

(i) General

A sinking fund is created pursuant to the provisions of a debenture issue in order to provide funds to be used for redemption at debenture maturity. Statutory sinking fund contributions are invested in interest bearing securities and other investments. Both the contributions and the interest are used to pay debenture holders when debentures mature.

A record is maintained of statutory contributions received on account of each issue and of income allocated to each issue (retained earnings). The accumulated amount of an issue's statutory contributions and allocated income is called its Sinking Fund Value.

At the maturity of a debenture issue, accumulated statutory contributions are reduced by the total amount of statutory contributions received over the life of the debenture issue. Retained earnings are reduced by the excess of the Sinking Fund Value over statutory contributions received related to the debenture issue.

(ii) Cash flow

At maturity, cash is paid into a redemption bank account in an amount equal to the lesser of the total face value of the issue or the Sinking Fund Value of the issue, less the face value of the particular debenture issue being redeemed held in the Fund's investments. If the Sinking Fund Value of the issue is less than the total face value, the difference is paid into the redemption bank account by the Province.

1. Basis of accounting (cont.)

Summary of significant accounting policies (cont.)

(d) Province of Newfoundland and Labrador debentures held by the Sinking Fund are cancelled upon the related sinking fund becoming fully funded. This occurs when the value of a sinking fund for a debenture issue equates to the outstanding principal amount of that issue. The Sinking Fund will return to the Province, for cancellation, any debentures of that issue held by the Sinking Fund. The cancellation of sinking fund assets results in a corresponding reduction in sinking fund equity.

(e) Interest income

Interest income is recorded on an accrual basis.

(f) Foreign currency translation

Assets, liabilities, revenues and expenses denominated in U.S. currency are translated as follows:

(i) assets and liabilities are translated at the rate of exchange in effect at the balance sheet date; and

(ii) revenues and expenses are translated at the rate of exchange in effect on the dates on which such items are recognized in income during the year, or an average of such.

Gains and losses resulting from foreign currency translation are amortized on a straight-line basis over the remaining life of each issue's sinking fund.

2. Effect of foreign currency translation

At March 31, 2015, the Fund held $1,034,809,000 (2014 - $1,000,845,000) in investments. These investments include $476,255,000 denominated in U.S. currency (2014 - $381,976,000).

The Fund assets, liabilities, statutory contributions and retained earnings denominated in U.S. currency are translated at the rate of exchange in effect at the balance sheet date. The Fund's revenues and expenses are translated at the rate of exchange in effect on the dates on which such items are recognized in income during the year, or an average of such.

2. Effect of foreign currency translation (cont.)

In 2015, the translation of assets denominated in U.S. currency at year end resulted in a net foreign exchange gain due to an increase in the value of the U.S. dollar. In 2014, the translation of assets denominated in U.S. currency at year end resulted in a net foreign exchange gain due to an increase in the value of the U.S. dollar. Any gains or losses resulting from foreign currency translations will not become realized until such time the assets denominated in U.S. currency should ever actually be converted to Canadian dollars. It is not the intention of the Fund that its U.S. assets will be converted into Canadian dollars.

	2015 (000's)	2014 (000's)
The effect of the translation is as follows:		
Statutory contributions have increased by	**$ 26,018**	$ 13,806
Retained earnings have increased by	**25,678**	13,329
Net income increased by	**9,229**	4,096
Total impact of foreign currency translation	**60,925**	31,231
The effect of this amount on the Fund assets is as follows:		
Investments have increased by	**55,011**	27,810
Cash and cash equivalents have increased by	**$ 5,914**	$ 3,421

The increase of $5,914,000 (2014 - increase of $3,421,000) is reflected in the Statement of Cash Flows because of its impact on the Fund's cash flow position. However, the other transactions did not have an impact on the Fund's cash flow position and are, therefore, not reflected in the Statement of Cash Flows.

3. Financial instruments

The Newfoundland and Labrador Government Sinking Fund's short-term financial instruments recognized on the balance sheet consist of cash, interest and other receivables, accounts payable and accrued liabilities, and due to Province of Newfoundland and Labrador. The carrying values of these instruments approximate current fair value due to their nature and the short-term maturity associated with them.

The Fund holds long-term investments which have an amortized cost of $1,034,809,000 (2014 - $1,000,845,000). The face value of these investments is $1,197,675,000 (2014 - $1,188,055,000). The policy and intention of the Board is to hold these long-term investments to maturity. Therefore, their reported value is current fair value to the Fund and there is no rate risk associated with these investments.

NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION

FINANCIAL STATEMENTS

MARCH 31, 2015

Management's Report

Management's Responsibility for the Newfoundland and Labrador Housing 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 Newfoundland and Labrador Housing Corporation.

On behalf of the Newfoundland and Labrador Housing Corporation.

Mr. Thomas F. Lawrence, FCPA, FCMA
Chairperson and Chief Executive Officer - Interim

Mr. Dave Aker, CPA, CGA
Chief Financial Officer - Interim

INDEPENDENT AUDITOR'S REPORT

To the Chairperson and Members of the Board of Directors
Newfoundland and Labrador Housing Corporation
St. John's, Newfoundland and Labrador

Report on the Financial Statements

I have audited the accompanying financial statements of the Newfoundland and Labrador Housing Corporation which comprise the statement of financial position as at March 31, 2015, 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 Newfoundland and Labrador Housing Corporation as at March 31, 2015, and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

TERRY PADDON, CPA, CA
Auditor General

July 9, 2015
St. John's, Newfoundland and Labrador

NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION
STATEMENT OF FINANCIAL POSITION
As at March 31

	2015	2014
	(000's)	(000's) Restated (Note 3)
FINANCIAL ASSETS		
Cash	$ 58,944	$ 67,314
Accounts receivable (Note 4)	1,395	1,353
Land held for sale (Note 5)	22	22
Due from government and other government organizations (Note 6)	2,957	2,250
Loans receivable (Note 7)	5,324	5,765
Receivables from municipalities - land transfers (Note 8)	851	984
	69,493	77,688
LIABILITIES		
Accounts payable and accrued liabilities (Note 9)	12,492	10,263
Employee future benefits (Note 10)	26,125	26,186
Due to government and other government organizations (Note 11)	1,993	1,709
Deferred revenue (Note 12)	10,769	9,517
Long-term debt (Note 13)	103,364	109,830
	154,743	157,505
Net debt	(85,250)	(79,817)
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 14)	125,687	129,657
Inventories held for use	368	377
Prepaid expenses (Note 15)	3,745	3,603
	129,800	133,637
Accumulated surplus	$ 44,550	$ 53,820

Contingent liabilities (Note 16)
Contractual obligations (Note 17)
Trust under administration (Note 20)

Signed on behalf of the Corporation: ______________ **Chairperson** ______________ **Member**

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

NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION
STATEMENT OF OPERATIONS
For the Year Ended March 31

	2015 Budget	2015 Actual	2014 Actual
	(000's) (Note 25)	(000's)	(000's) Restated (Note 3)
REVENUES (Note 18)			
Province of Newfoundland and Labrador operating grant	$ 41,495	$ 42,754	$ 47,803
CMHC revenue	51,302	50,092	52,703
Other government sources	225	308	317
Rent	20,292	21,321	21,172
Interest	796	1,160	1,145
Land sales	-	1,075	3,242
Profit from land sales by municipalities	200	193	248
Other	37	139	497
	114,347	117,042	127,127
EXPENSES (Note 18)			
Rental operations	57,406	64,543	58,962
Partner managed housing	9,635	9,995	9,705
Affordable housing investments	26,190	17,155	21,577
Rent supplement	9,355	9,409	9,966
Land development	-	28	89
Administration	21,771	25,182	23,702
	124,357	126,312	124,001
Annual (deficit) surplus	(10,010)	(9,270)	3,126
Accumulated surplus, beginning of year	53,820	53,820	50,694
Accumulated surplus, end of year	$ 43,810	$ 44,550	$ 53,820

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

NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION
STATEMENT OF CHANGE IN NET DEBT
For the Year Ended March 31

	2015 Budget	2015 Actual	2014 Actual
	(000's) (Note 25)	(000's)	(000's) Restated (Note 3)
Annual (deficit) surplus	$ (10,010)	$ (9,270)	$ 3,126
Changes in tangible capital assets (Note 14)			
Acquisition of tangible capital assets	(1,836)	(2,470)	(4,210)
Net book value of tangible capital asset disposals and write-downs	-	352	263
Amortization of tangible capital assets	-	6,088	6,526
	(1,836)	3,970	2,579
Changes in other non-financial assets			
Net use of inventories held for use	-	9	14
Net (acquisition) use of prepaid expenses	-	(142)	641
	-	(133)	655
(Increase) decrease in net debt	(11,846)	(5,433)	6,360
Net debt, beginning of year	(79,817)	(79,817)	(86,177)
Net debt, end of year	$ (91,663)	$ (85,250)	$ (79,817)

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

NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION
STATEMENT OF CASH FLOWS

For the Year Ended March 31	2015	2014
	(000's)	(000's)
Operating transactions		
Annual (deficit) surplus	$ (9,270)	$ 3,126
Adjustment for non-cash items and change in non-cash operating items:		
Contribution of tangible capital assets	(138)	-
Decrease in provision for doubtful accounts, loans receivable	(184)	(185)
Amortization of tangible capital assets	6,088	6,526
Write-down of tangible capital assets	54	216
Losses on sale of tangible capital assets	144	9
Employee future benefits	(61)	1,284
Deferred revenue	1,252	(651)
Forgivable loans	(5,368)	1,607
Other (Note 21)	1,631	3,600
Cash (applied to) provided by operating transactions	(5,852)	15,532
Capital transactions		
Proceeds, net of selling costs, on sale of tangible capital assets	154	38
Cash used to acquire tangible capital assets	(2,332)	(4,210)
Cash applied to capital transactions	(2,178)	(4,172)
Investing transactions		
Decrease in receivable from municipalities - land transfers	133	60
Increase in land for sale	-	(22)
Repayment of loans and advances	1,980	2,513
Forgivable loans	5,368	(1,607)
Loans and advances	(1,355)	(1,526)
Cash provided by (applied to) investing transactions	6,126	(582)
Financing transactions		
Debt retirement	(6,466)	(5,976)
Cash applied to financing transactions	(6,466)	(5,976)
(Decrease) increase in cash	(8,370)	4,802
Cash, beginning of year	67,314	62,512
Cash, end of year	$ 58,944	$ 67,314

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

1. Nature of operations

The Newfoundland and Labrador Housing Corporation (the Corporation) operates under the authority of the *Housing Corporation Act*. The purpose of the Corporation is to provide cost-effective housing and related programs for the benefit of the residents of the Province of Newfoundland and Labrador with priority given to those most in need. Its affairs are governed by a Board of Directors appointed by the Lieutenant-Governor in Council.

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

2. Summary of significant accounting policies

(a) Basis of accounting

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

(b) Financial instruments

The Corporation's financial instruments recognized on the statement of financial position consist of cash, accounts receivable, due from government and other government organizations, loans receivable, receivables from municipalities - land transfers, accounts payable and accrued liabilities, due to government and other government organizations and long-term debt.

The Corporation generally recognizes a financial instrument when it enters into a contract which creates a financial asset or financial liability. 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 government and other government organizations, and receivables from municipalities - land transfers. Accounts receivable and loans receivable are measured at amortized cost as disclosed in Note 4 and Note 7, respectively. All financial assets are assessed annually for impairment. When financial assets are impaired, impairment losses are recorded in the statement of operations. Financial liabilities measured at cost include accounts payable and accrued liabilities and due to government and other government organizations. Long-term debt is measured at amortized cost as disclosed in Note 13.

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

(c) Cash

Cash includes cash in the bank.

2. Summary of significant accounting policies (cont.)

(d) Land held for sale

Land held for sale is recorded at the lower of cost and net realizable value.

(e) Loans receivable

Loans receivable are recorded at amortized cost. Valuation allowances are made when collection is in doubt and is estimated based on the value of accounts referred to a collection agency and the accounts with reported arrears balances.

(f) Liability for contaminated sites

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. A liability for a contaminated site is recognized based on management's best estimate of all costs directly attributable to remediation activities, including the cost of post-remediation including operation, maintenance and monitoring that are an integral part of the remediation strategy for a contaminated site, and is recorded net of any expected recoveries.

A liability for the remediation of a contaminated site is recognized when a site is generally not in productive use and all of the following criteria are met:

- an environmental standard exists;
- contamination exceeds the environmental standard;
- the Corporation:
    - is directly responsible, or
    - accepts responsibility;
- it is expected that future economic benefits will be given up; and
- a reasonable estimate of the amount can be made.

(g) Employee future benefits

The cost of retirement life insurance and health care benefits, severance pay, and accumulating, non-vesting sick leave benefits are actuarially determined using management's best estimate of the long-term inflation rate, compensation increases, discount rate and health care cost trends.

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

2. Summary of significant accounting policies (cont.)

(g) Employee future benefits (cont.)

During the year, there were significant changes made to the Public Service Pension Plan. The changes include: increases in contribution rates of between 2.15% and 3.25% of pensionable earnings; calculation of pension benefits, for service on or after January 1, 2015, using the average of the best six years of earnings rather than the average of the best five years of earnings; calculation of pension benefits, for service before January 1, 2015, using the higher of the average of the frozen best 5 years of earnings up to January 1, 2015, or the average of the best 6 years of earnings for all service rather than the average of the best five years of earnings; and increases in the minimum age and/or service requirements for early retirement with an unreduced pension benefit. Employees who are eligible, or become eligible, to retire on or before January 1, 2020, are exempt from increases in the minimum age and/or service requirements for early retirement with an unreduced pension benefit.

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

(h) Tangible capital assets

Tangible capital assets are recorded at cost, which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets. Cost includes overhead directly attributable to construction and development, as well as interest costs that are directly attributable to the acquisition or construction of the asset.

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

Rental properties	40 years
Office buildings	40 years
Furniture and office equipment	10 years
Maintenance tools and equipment	10 years
Computer hardware and software	4 years
Vehicles	5 years

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

Contributed capital assets are recorded as revenue at their fair market value on the date of donation, except in circumstances where fair value cannot be reasonably determined, which are then recognized at nominal value. Transfers of capital assets from related parties are recorded at carrying value.

2. Summary of significant accounting policies (cont.)

(i) Inventories held for use

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

(j) Prepaid expenses

Prepaid expenses include property taxes, insurance, licenses and rent and are recorded as an expense over the periods expected to benefit from it.

(k) 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.

Government transfers are recognized as revenues in the period the transfer is authorized and all eligibility criteria have been met, except when and to the extent that the transfer gives rise to an obligation that meets the definition of a liability for the Corporation. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulations related to the liabilities are settled. Government transfers consist of funding from the Province of Newfoundland and Labrador and Canada Mortgage and Housing Corporation (CMHC).

Interest income is accounted for using the effective interest method for 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.

(l) 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 Corporation's social programs.

2. Summary of significant accounting policies (cont.)

(m) 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 useful life of capital assets, recoverable value of land held for sale, estimated employee future benefits, impairment of assets and liabilities for contaminated sites.

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

3. Change in accounting policy

On April 1, 2014, the Corporation adopted the new CPSAS Handbook Section PS 3260, *Liability for Contaminated Sites*. This Section establishes recognition, measurement and disclosure standards for liabilities relating to contaminated sites of government organizations. This change has been applied retroactively with restatement of prior period comparative amounts. An adjustment to the accumulated surplus at April 1, 2013, of $783,000 was made to record the impact of adopting this new standard. The impact of the change in accounting policy on the statement of financial position as at March 31, 2014 and at March 31, 2015, is an increase in accounts payable and accrued liabilities of $783,000 and a decrease in accumulated surplus of $783,000. There was no impact on the operating results for the years ended March 31, 2014, and March 31, 2015 as a result of adopting this standard.

4. Accounts receivable

	2015 **(000's)**	2014 (000's)
Harmonized sales tax receivable	**$ 1,159**	$ 861
Rents	**219**	375
Other	**148**	327
	1,526	1,563
Less: provision for doubtful accounts	**(131)**	(210)
	$ 1,395	$ 1,353

5. Land held for sale

	2015 (000's)	2014 (000's)
Land held for sale, beginning of year	**$ 22**	$ -
Land development costs incurred during the year	**-**	110
	22	110
Less: cost of earned sales recognized during year	**-**	(88)
Land held for sale, end of year	**$ 22**	$ 22

In September 1998, the Province directed the Corporation to divest of the majority of its land holdings. Land held for sale is valued at the lower of cost and net realizable value. The estimated net realizable value is determined using management's best estimates of future sales and costs. Management recognizes that changes in future conditions, such as market demand, assumed in making these estimates, are not predictable. Consequently, material adjustments to the carrying value of the asset are possible depending upon the impact of any changes and management's best estimate of them.

6. Due from government and other government organizations

	2015 (000's)	2014 (000's)
CMHC	**$ 2,373**	$ 1,055
Province of Newfoundland and Labrador	**294**	994
Municipalities	**290**	201
	$ 2,957	$ 2,250

7. Loans receivable

	2015 (000's)	2014 (000's)
Forgivable loans bearing no interest	**$ 72,404**	$ 77,772
Promissory notes bearing fixed interest rates ranging from 0% to 8%, repayable in blended monthly principal and interest payments with due dates ranging from April 2015 to April 2041. These notes are unsecured and can be retired prior to maturity.	**5,463**	5,813
Mortgages bearing fixed interest rates ranging from 0% to 10.00%, repayable in blended monthly principal and interest payments with due dates ranging from April 2015 to January 2021. These mortgages are secured and can be retired prior to maturity.	**763**	1,038
Less: provision for forgivable loans	**(72,404)**	(77,772)
Less: provision for doubtful accounts	**(902)**	(1,086)
	$ 5,324	$ 5,765

Forgivable loans bearing no interest are advanced to recipients subject to meeting certain eligibility criteria and are recorded through grants and subsidies expense when advanced. Forgiveness terms include an amortization period ranging between 1 and 25 years, during which time the unamortized portion of the loan is required to be repaid only upon sale of the property. As such, there is a low likelihood of required repayment.

8. Receivable from municipalities - land transfers

In September 1998, the Province of Newfoundland and Labrador directed the Corporation to enter into agreements with municipalities to transfer its banked and developed industrial and commercial land. The agreements will transfer these lands to the municipalities under a mortgage arrangement and provide for a share of future land sales revenue to the Corporation.

The receivable is valued at the lower of the carrying value of the land at the date of transfer and the Corporation's share of the net realizable value of the land as outlined in the agreements. The estimated net realizable value is determined using management's best estimates of future sales. Management recognizes that changes in future conditions, such as market demand, assumed in making these estimates are not predictable. Consequently, adjustments to the carrying value of the receivable from municipalities re: land transfers are possible depending on the impact of any changes and management's best estimate of them.

For the year ended March 31, 2015, 21 agreements were in place for the transfer of land to municipalities at a carrying value of $851,000 (2014 - $984,000).

9. Accounts payable and accrued liabilities

		2015 (000's)		2014 (000's)
Trade accounts payable	$	8,344	$	6,153
Salaries and benefits payable		718		816
Accrued leave		2,003		1,933
Liability for contaminated sites (Note 9(a))		783		783
Other		644		578
	$	12,492	$	10,263

(a) Liability for contaminated sites

The Corporation recognized an estimated liability for contaminated sites of $783,000 for soil remediation at Chalker Place, St. John's. The nature of the liability is related to the removal of seven electrical transformers containing polychlorinated biphenyls (PCBs) and includes the remediation of soil contaminants resulting from all transformers. Historical costs of previous work of this nature were used as a basis of measurement. Expenditures are expected to occur in the fiscal year ended March 31, 2016. There are no estimated recoveries anticipated.

A liability has not been recognized in relation to the following contaminated site, since based on past experience, it is not expected that future economic benefits would be given up:

Name of the Contaminated Site	Nature of Contamination
Octagon Pond Area, Paradise	Hydrocarbons and various heavy metals in soil and ground water

A liability has not been recognized in relation to the following contaminated sites since a reasonable estimate of the amount could not be made, due to the unknown extent of contamination:

Name of the Contaminated Site	Nature of Contamination
Various Locations, St. John's	Underground fuel storage tanks
Stephenville Industrial Park	Abandoned fuel storage facilities
Gander Industrial Park	Soil contamination

10. Employee future benefits

Information about obligations for retirement benefits and other employee future benefits is as follows:

(a) Pension Plan

The Corporation and its employees contribute to the Public Service Pension Plan in accordance with the *Public Service Pensions Act, 1991* (the *Act*). The plan will be administered by the Public Service Pension Plan Corporation, including payment of pension benefits to employees to whom the *Act* applies.

The plan provides a pension to employees based on the member's age at retirement, their length of service and rates of pay. The maximum contribution rate for eligible employees was 11.85% (2014 - 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. The pension expense for the Corporation for the year ended March 31, 2015, was $1,433,690 (2014 - $1,325,110).

(b) Retirement and other employee future benefit liabilities

	2015				2014
	Retirement life insurance and health care benefits (000's)	**Severance pay (000's)**	**Accumulating Non-vesting Sick leave benefits (000's)**	**Total Employee Benefits (000's)**	Total Employee Benefits (000's)
Accrued employee future benefit obligations, end of year	**$ 18,494**	**$ 1,886**	**$ 1,258**	**$ 21,638**	$ 28,605
Unamortized actuarial (loss) gain, end of year	**4,703**	**45**	**(261)**	**4,487**	(2,419)
Employee future benefits liability, end of year	**$ 23,197**	**$ 1,931**	**$ 997**	**$ 26,125**	$ 26,186

10. Employee future benefits (cont.)

(c) Change in employee future benefits liability

	2015				2014
	Retirement life insurance and health care benefits (000's)	**Severance pay (000's)**	**Accumulating Non-vesting Sick leave benefits (000's)**	**Total Employee Benefits (000's)**	Total Employee Benefits (000's)
Current period benefit cost	**$ 560**	**$ 119**	**$ 32**	**$ 711**	$ 675
Benefit payments	**(326)**	**(2,061)**	**(235)**	**(2,622)**	(1,232)
Interest on accrued benefit obligation	**1,191**	**137**	**54**	**1,382**	1,375
Amortization of actuarial losses (gains)	**466**	**(4)**	**6**	**468**	466
Change in employee future benefits liability	**$ 1,891**	**$(1,809)**	**$ (143)**	**$ (61)**	$ 1,284

(d) Retirement and other employee future benefits

i. Retirement life insurance and health care benefits

All retired employees of the Corporation are eligible to participate in the group insurance plans. Under the plans, the Corporation pays 50% of the total premium charged towards the benefits of both active employees and retirees for life insurance and health care benefits. The Corporation pays 100% of retirees' life insurance premiums after age 65. For the year ended March 31, 2015, the group insurance plan provided benefits to 242 retirees. There are no fund assets associated with these group insurance plans.

10. Employee future benefits (cont.)

(d) Retirement and other employee future benefits (cont.)

ii. Severance pay

Severance pay is calculated based on years of service and current salary levels. Entitlement to severance pay vests with non-unionized employees after nine years of continuous service. Effective May 1, 2014, there is no further accumulation of severance pay service for unionized employees. During the year ended March 31, 2015, unionized employees that had accumulated severance pay prior to May 1, 2014 elected to receive all, or a portion, of severance pay accumulated or to defer payment of their accumulated severance to retirement without further accumulation.

Severance pay is payable when employees cease employment with the Corporation unless an employee transfers to another entity in the public service, in which case the liability is transferred with that employee to the other entity. The Corporation's severance liability also includes a provision for employees with less than nine years of continuous service, based upon the Corporation's best estimate of the probability of having to pay severance to those employees. For the year ended March 31, 2015, a severance liability was calculated for 79 non-unionized employees and 38 unionized employees.

iii. Accumulating, non-vesting sick leave benefits

All unionized employees hired before May 4, 2004 are credited with 2 days per month and all unionized employees hired thereafter are credited with 1 day per month for use as paid absences in the year due to illness. Employees are allowed to accumulate unused sick day credits each year, up to the allowable maximum provided in their respective employment agreement. Accumulated credits may be used in future years to the extent that the employee's illness 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 are included in the financial statements. For the year ended March 31, 2015, a sick leave liability was calculated for 318 employees.

iv. Actuarial valuation

The accrued benefit obligations for employee future benefit plans as at March 31, 2015, are based on an actuarial valuation for accounting purposes as at March 31, 2015.

Assumptions about future events used in the calculation of the accrued employee future benefit obligations are as follows:

	2015	2014
Long-term inflation rate	**2.0%**	2.0%
Compensation increase	**4.0%**	4.0%
Discount rate	**5.0%**	5.0%
Health care cost trend	**5.5%**	7.5%

Other assumptions used in the valuation include termination rates, plan participation rates, utilization rates and mortality rates.

10. Employee future benefits (cont.)

(d) Retirement and other employee future benefits (cont.)

iv. Actuarial valuation (cont.)

Actuarial assumptions are reviewed and assessed on a regular basis to ensure that the accounting assumptions take into account various changing conditions and reflect the Corporation's best estimate of expectations over the long-term.

v. Experience gains or losses

Experience gains or losses are amortized over the estimated average remaining service life of active participants. The amortization amount will be included with retirement costs in the financial statements commencing in the year subsequent to the year in which the experience gain or loss arose.

11. Due to government and other government organizations

	2015 (000's)	2014 (000's)
CMHC - accrued interest payable	**$ 931**	$ 976
CMHC – other	**7**	4
Federal government business enterprise	**5**	-
Provincial Government	**103**	137
Provincial government business enterprise	**31**	32
Municipalities	**916**	560
	$ 1,993	$ 1,709

12. Deferred revenue

	Balance, beginning of year	**Billings/receipts during year**	**Transferred to revenue**	**Refundable to CMHC**	**Balance, end of year**
	(000's)	**(000's)**	**(000's)**	**(000's)**	**(000's)**
CMHC Affordable Housing Program	$ 9,504	**$ 5,363**	**$ (4,103)**	**$ -**	**$ 10,764**
CMHC Provincial Home Repair Program	13	**1,447**	**(1,455)**	**-**	**5**
	$ 9,517	**$ 6,810**	**$ (5,558)**	**$ -**	**$ 10,769**

12. Deferred revenue (cont.)

Deferred revenue from CMHC relates to the unearned balance of funds from CMHC for programs as outlined under various federal-provincial agreements. The deferred revenue will be recognized as revenue when the related expenses are incurred. If the funds are not spent for the programs specified under the agreements, they will have to be repaid to CMHC. As of March 31, 2015, CMHC funding in the amount of $10,769,000 was received but not earned.

13. Long-term debt

Long-term debt reported on the statement of financial position is comprised of the following:

	2015 (000's)	2014 (000's)
Long-term debt obligations arising from the Canada-Newfoundland Social Housing Agreement of April 1997 payable to CMHC, bearing fixed interest rates ranging from 5.50% to 19.75%, repayable in blended quarterly principal and interest payments of $2,972,083 with due dates ranging from January 2020 to January 2038. This debt is not secured and cannot be retired prior to maturity. The principal and interest payments required are funded entirely through the annual CMHC grant pursuant to the Canada - Newfoundland Social Housing Agreement of April 1997.	**$ 78,424**	$ 80,248
Long-term debt obligations arising from the Canada-Newfoundland Social Housing Agreement of April 1997 payable to CMHC, bearing fixed interest rates ranging from 6.25% to 14.25%, repayable in blended monthly principal and interest payments of $280,089 with due dates ranging from April 2015 to June 2020. This debt is not secured and cannot be retired prior to maturity. The principal and interest payments required are funded entirely through the annual CMHC grant pursuant to the Canada - Newfoundland Social Housing Agreement of April 1997.	**5,604**	8,550
CMHC fixed rate term debentures, at variable interest rates of 1.67% to 2.75% repayable in blended monthly installments of $180,460, with final due dates ranging from December 2021 to January 2030. This debt is not secured and can be retired prior to maturity.	**19,312**	20,952
Long-term debt obligations arising from the Canada-Newfoundland Global Agreement on Social Housing of February 1986, Canada-Newfoundland Operating Agreement of June 1986, and the Canada-Newfoundland Agreement on the Provincial Home Repair Program of January 1999 payable to CMHC, bearing fixed interest rates ranging from 2.00% to 12.75%, with final due dates ranging from April 2015 to September 2020. This debt can be retired prior to maturity.	**24**	80
	$ 103,364	$ 109,830

13. Long-term debt (cont.)

Anticipated annual principal repayments over the next five years and thereafter are as follows:

	(000's)
2016	$ 6,273
2017	5,427
2018	5,193
2019	5,061
2020	5,023
2021 - 2038	76,387
	$ 103,364

Interest expense for the year on outstanding debt totaled $11,212,000 (2014 - $11,770,000) and is included in interest and bank charges in the segmented information by object (Note 18).

14. Tangible capital assets

March 31, 2015

	Land (000's)	Rental properties (000's)	Office buildings (000's)	Furniture and office equipment (000's)	Maintenance tools and equipment (000's)	Computer hardware (000's)	Computer software (000's)	Vehicles (000's)	Total (000's)
Cost									
Opening balance	$ 56,275	$ 235,025	$ 9,058	$ 228	$ 86	$ 1,152	$ 2,382	$ 2,158	$ 306,364
Additions	21	2,371	-	-	-	-	11	67	2,470
Disposals	(104)	(539)	-	-	-	-	-	(50)	(693)
Write-downs	-	(91)	-	-	-	-	-	-	(91)
Closing balance	$ 56,192	$ 236,766	$ 9,058	$ 228	$ 86	$ 1,152	$ 2,393	$ 2,175	$ 308,050
Accumulated amortization									
Opening balance	$ -	$ 167,656	$ 4,060	$ 106	$ 40	$ 872	$ 2,166	$ 1,807	$ 176,707
Amortization		5,424	226	22	8	111	110	187	6,088
Disposals		(345)	-	-	-	-	-	(50)	(395)
Write-downs		(37)	-	-	-	-	-	-	(37)
Closing balance	$ -	$ 172,698	$ 4,286	$ 128	$ 48	$ 983	$ 2,276	$ 1,944	$ 182,363
Net book value	**$ 56,192**	**$ 64,068**	**$ 4,772**	**$ 100**	**$ 38**	**$ 169**	**$ 117**	**$ 231**	**$ 125,687**

14. Tangible capital assets (cont.)

March 31, 2014

	Land	Rental properties	Office buildings	Furniture and office equipment	Maintenance tools and equipment	Computer hardware	Computer software	Vehicles	Total
	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)
Cost									
Opening balance	$ 55,612	$ 232,658	$ 9,058	$ 228	$ 86	$ 1,040	$ 2,322	$ 2,216	$ 303,220
Additions	722	3,272	-	-	-	112	60	44	4,210
Disposals	(14)	(110)	-	-	-	-	-	(102)	(226)
Write-downs	(45)	(795)	-	-	-	-	-	-	(840)
Closing balance	$ 56,275	$ 235,025	$ 9,058	$ 228	$ 86	$ 1,152	$ 2,382	$ 2,158	$ 306,364
Accumulated amortization									
Opening balance	$ -	$ 162,618	$ 3,834	$ 83	$ 31	$ 736	$ 2,031	$ 1,651	$ 170,984
Amortization	-	5,739	226	23	9	136	135	258	6,526
Disposals	-	(77)	-	-	-	-	-	(102)	(179)
Write-downs	-	(624)	-	-	-	-	-	-	(624)
Closing balance	$ -	$ 167,656	$ 4,060	$ 106	$ 40	$ 872	$ 2,166	$ 1,807	$ 176,707
Net book value	**$ 56,275**	**$ 67,369**	**$ 4,998**	**$ 122**	**$ 46**	**$ 280**	**$ 216**	**$ 351**	**$ 129,657**

14. Tangible capital assets (cont.)

Cost of rental properties at March 31, 2015 includes work in progress of $1,782,000 (2014 - $2,327,185). Work in progress is not being amortized as it is not yet available for use. There were contributed tangible capital assets with a fair value of $138,000 recorded during the year (2014 - $nil).

In accordance with current accounting standards, intangible assets and items inherited by right of the Crown, such as Crown lands are not recognized as tangible capital assets.

15. Prepaid expenses

Prepaid expenses consist of:

	2015 **(000's)**	2014 (000's)
Property taxes and other municipal fees	**$ 3,149**	$ 3,048
Insurance costs	**176**	172
Workers' compensation fees	**311**	288
Software licenses	**102**	89
Rent	**5**	5
Other	**2**	1
	$ 3,745	$ 3,603

16. Contingent liabilities

(a) Guaranteed debt

The Corporation has provided loan guarantees pursuant to the Canada-Newfoundland Social Housing Agreement in respect of certain CMHC debt of partner managed housing operators. For the year ended March 31, 2015, the amount of the principal outstanding under this guarantee, and limit of the guarantee, was $65,458,000. There was no provision for losses during the year on the loan guarantees.

(b) Legal liabilities

A number of small claims have been filed against the Corporation for alleged breach of contract, general damages and personal claims. These claims have not progressed far enough to enable the formation of a definite opinion as to their outcomes. Therefore, the likelihood and the amount of loss to the Corporation is not determinable at this time.

17. Contractual obligations

	2015 (000's)	2014 (000's)
Uncompleted purchase and construction contracts	$ 8,369	$ 5,663
Commitments under lending programs	30,024	17,230
Commitments under grant programs	2,120	777
	$ 40,513	$ 23,670

Contractual obligations are those to outside organizations in respect of contracts entered into on or before March 31, 2015. These contractual obligations will become liabilities when the terms of the contracts are met.

18. Segmented information by object

The Corporation reports its revenue and expenses by program area as outlined in its approved budget.

18. Segmented information by object (cont.)

	Rental operations		Partner managed housing		Affordable housing investments		Rent supplement		Land development		Administration		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)
Revenues														
Province of Newfoundland and Labrador operating grant	$ 489	$ 369	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 42,265	$ 47,434	$ 42,754	$ 47,803
CMHC revenue	-	-	-	-	5,561	7,562	-	-	-	-	44,531	45,141	50,092	52,703
Other government sources	291	201	-	-	17	116	-	-	-	-	-	-	308	317
Rent	21,321	21,172	-	-	-	-	-	-	-	-	-	-	21,321	21,172
Interest	-	-	-	-	-	-	-	-	-	-	1,160	1,145	1,160	1,145
Land sales	-	-	-	-	-	-	-	-	1,075	3,242	-	-	1,075	3,242
Profit from land sales by municipalities	-	-	-	-	-	-	-	-	193	248	-	-	193	248
Other	138	-	-	-	-	-	-	-	-	-	1	497	139	497
	22,239	21,742	-	-	5,578	7,678	-	-	1,268	3,490	87,957	94,217	117,042	127,127
Expenses														
Rental property operating costs	31,772	25,343	-	-	-	-	-	-	-	-	-	-	31,772	25,343
Amortization	5,184	5,570	427	428	-	-	-	-	-	-	477	528	6,088	6,526
Grants and subsidies	8,696	9,077	8,933	8,578	17,043	21,412	9,409	9,966	-	-	152	150	44,233	49,183
Land costs	-	-	-	-	-	-	-	-	-	89	-	-	-	89
Other administration	-	-	288	290	-	-	-	-	28	-	5,012	3,768	5,328	4,058
Salaries and benefits	7,549	7,087	-	-	-	-	-	-	-	-	18,317	17,997	25,866	25,084
Interest and bank charges	11,028	11,443	347	409	40	73	-	-	-	-	1,224	1,259	12,639	13,184
Loss on sale of tangible capital assets	144	9	-	-	-	-	-	-	-	-	-	-	144	9
Valuation allowances	170	433	-	-	72	92	-	-	-	-	-	-	242	525
	64,543	58,962	9,995	9,705	17,155	21,577	9,409	9,966	28	89	25,182	23,702	126,312	124,001
Annual (deficit) surplus	$ (42,304)	$ (37,220)	$ (9,995)	$ (9,705)	$ (11,577)	$ (13,899)	$ (9,409)	$ (9,966)	$ 1,240	$ 3,401	$ 62,775	$ 70,515	$ (9,270)	$ 3,126

19. Related party transactions

(a) Transactions with related parties

	2015 (000's)	2014 (000's)
REVENUES		
Province of Newfoundland and Labrador operating grant		
Consolidated Revenue Fund	**$ 42,754**	$ 47,803
Rent		
Consolidated Revenue Fund	**184**	202
Western Regional Health Authority	**32**	12
Eastern Regional Health Authority	**9**	9
Labrador-Grenfell Regional Health Authority	**2**	8
EXPENSES		
Rental operations		
Consolidated Revenue Fund	**148**	132
Nalcor Energy	**65**	37
Partner managed housing		
Eastern Regional Health Authority	**1,323**	1,040
Western Regional Health Authority	**605**	561
Central Regional Health Authority	**256**	303
Labrador-Grenfell Regional Health Authority	**83**	92
Affordable housing investments		
Eastern Regional Health Authority	**131**	-
Consolidated Revenue Fund	**1**	-
Administration		
Consolidated Revenue Fund	**400**	432
Eastern Regional Health Authority	**43**	40
Memorial University of Newfoundland	**20**	19
Nalcor Energy	**2**	2
Central Regional Health Authority	**-**	1

19. Related party transactions (cont.)

(b) Balances due from and to related parties

	2015 (000's)	2014 (000's)
Due from government and other government organizations		
Consolidated Revenue Fund	$ 294	$ 994
Due to government and other government organizations		
Consolidated Revenue Fund	36	104
Nalcor Energy	31	32
Memorial University of Newfoundland	5	3
Eastern Regional Health Authority	40	4
Labrador-Grenfell Regional Health Authority	-	24
Western Regional Health Authority	22	2

20. Trust under administration

For the year ended March 31, 2015, the balance of funds held in trust was $3,572,000 (2014 - $3,565,000). The funds are held on behalf of various non-profit housing groups to provide for the future replacement or repair of capital items.

21. Statement of cash flows - other

	2015 (000's)	2014 (000's)
Accounts receivable	$ (42)	$ 483
Due from government and other government organizations	(707)	2,935
Accounts payable and accrued liabilities	2,229	(513)
Due to government and other government organizations	284	40
Inventories held for use	9	14
Prepaid expenses	(142)	641
	$ 1,631	$ 3,600

22. 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, market risk, and liquidity risk. There was no significant change in the Corporation's exposure to these risks or its processes for managing these risks from the prior year.

Credit risk

Credit risk is the risk that the Corporation will incur a loss due to the failure by its debtors to meet their contractual obligations. The Corporation is exposed to credit risk with respect to cash, accounts receivable, due from government and other government organizations, loans receivable, and receivables from municipalities – land transfers. 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 government and other government organizations and receivables from municipalities - land transfers because of their nature.

The Corporation has policies and procedures for the monitoring and collection of accounts receivable, due from government and other government organizations, loans receivables, and receivables from municipalities – land transfers so as to mitigate potential credit losses. Also, the Corporation has mitigated its exposure to credit risk on its mortgage loans receivable through claims on real estate properties should borrowers default on paying the loans. In the case of a foreclosure, the Corporation has the option of evicting the tenant and selling the real estate property, using the proceeds to clear the mortgage debt.

An estimated impairment of accounts receivable for $131,000 has been provided for through an allowance for decline in value, as disclosed in Note 4. An estimated impairment of loans receivable for $902,000 has been provided for through an allowance for decline in value, as disclosed in Note 7. The Corporation classifies its loans receivable as impaired in accordance with Note 2(e). The Corporation classifies its accounts receivable as impaired when collection is in doubt and is based on analysis of the balance.

At March 31, 2015, the aging of loans receivable that are past due but not impaired, are as follows:

	(000's)
30 days	$ 34
60 days	122
90 days	50
Over 90 days	41
	$ 247

Accounts receivable and loans receivable which are not impaired or past due are considered collectible by the Corporation. There are no provisions for doubtful accounts for the other financial instruments, as all amounts are considered collectible.

22. Financial Risk Management (cont.)

Market risk

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

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rate exposure relates to cash, loans receivable and long-term debt. For the year ended March 31, 2015, the interest rate exposure on cash is such that a change of 25 basis points in interest rates would result in an increase/decrease in annual surplus of $158,000. The interest rate risk on loans receivable is considered to be low because the interest rates are fixed to maturity. The Corporation is subject to the risks associated with long-term debt financing, including the risk that debt will not be refinanced on terms as favorable as those of the existing debts. There is no interest rate risk on long-term debt obligations arising from the Canada-Newfoundland Social Housing Agreement as interest rates are fixed to maturity. For the year ended March 31, 2015, the increase/decrease in annual surplus for each one percent change in interest rates on the CMHC fixed rate term debentures amounts to $200,000.

Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial liabilities and contractual obligations as they fall due. The liquidity risk, relating mainly to accounts payable and accrued liabilities, due to government and other government organizations, long-term debt, and contractual obligations, is considered to be low. The anticipated annual principal repayments on the Corporation's long-term debt is disclosed in Note 13. The Corporation maintains adequate cash to ensure all its financial liabilities and contractual obligations can be met when they fall due. The Corporation has an authorized credit facility totaling $3,000,000, which is unused as at March 31, 2015.

23. Self-insurance

With the exception of certain high-risk projects, the Corporation follows the policy of self-insuring its rental properties for property damage such as fire, water and vandalism. The costs of these repairs are charged to rental properties expenses.

24. Comparative figures

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

25. Budgeted figures

Budgeted figures have been provided for comparison purposes and have been derived from the estimates approved by the Board of Directors and the Lieutenant-Governor in Council.

26. 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.

NEWFOUNDLAND AND LABRADOR IMMIGRANT INVESTOR FUND LIMITED

FINANCIAL STATEMENTS

MARCH 31, 2015

Management's Report

Management's Responsibility for the Newfoundland and Labrador Immigrant Investor Fund 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 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 Newfoundland and Labrador Immigrant Investor Fund Limited.

On behalf of the Newfoundland and Labrador Immigrant Investor Fund Limited.

R Malone

Rita Malone
Assistant Deputy Minister
Regional Development/Business Analysis

Liane Price

Liane Price
Manager of Enterprise Services

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Newfoundland and Labrador Immigrant
Investor Fund Limited
St. John's, Newfoundland and Labrador

Report on the Financial Statements

I have audited the accompanying financial statements of the Newfoundland and Labrador Immigrant Investor Fund Limited which comprise the statement of financial position as at March 31, 2015, 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 judgment of the auditor, 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 Newfoundland and Labrador Immigrant Investor Fund Limited as at March 31, 2015, and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

TERRY PADDON, CPA, CA
Auditor General

July 23, 2015
St. John's, Newfoundland and Labrador

NEWFOUNDLAND AND LABRADOR IMMIGRANT INVESTOR FUND LIMITED
STATEMENT OF FINANCIAL POSITION
As at March 31

	2015	2014
FINANCIAL ASSETS		
Cash	$ 182,984,383	$ 169,385,540
Interest receivable	150,812	158,878
Portfolio investments (Note 3)	27,479,613	76,285,402
	210,614,808	245,829,820
LIABILITIES		
Accounts payable and accrued liabilities	-	3,955
Obligations to investors (Note 4)	211,312,135	248,926,745
	211,312,135	248,930,700
Net debt	(697,327)	(3,100,880)
NON-FINANCIAL ASSETS		
Deferred financing costs (Note 5)	5,423,610	7,438,984
Accumulated surplus	$ 4,726,283	$ 4,338,104

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

Signed on behalf of the Corporation: T. Malone — **Chairperson**   Lorie Price — **Member**

NEWFOUNDLAND AND LABRADOR IMMIGRANT INVESTOR FUND LIMITED
STATEMENT OF OPERATIONS
For the Year Ended March 31

	2015 Budget (Note 8)	2015 Actual	2014 Actual
REVENUES			
Amortization of discounts on portfolio investments	$ 1,477,834	$ 1,477,834	$ 2,213,759
Interest	1,988,860	1,928,684	1,726,261
	3,466,694	3,406,518	3,940,020
EXPENSES			
Amortization of deferred financing costs	3,054,443	3,013,026	3,249,366
Audit fees	4,000	565	3,955
Bank charges	-	48	40
Miscellaneous	-	75	600
Safekeeping fees	6,552	4,625	6,741
	3,064,995	3,018,339	3,260,702
Annual surplus	401,699	388,179	679,318
Accumulated surplus, beginning of year	4,338,104	4,338,104	3,658,786
Accumulated surplus, end of year	$ 4,739,803	$ 4,726,283	$ 4,338,104

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

NEWFOUNDLAND AND LABRADOR IMMIGRANT INVESTOR FUND LIMITED
STATEMENT OF CHANGE IN NET DEBT
For the Year Ended March 31

	2015 Budget	2015 Actual	2014 Actual
	(Note 8)		
Annual surplus	$ 401,699	$ 388,179	$ 679,318
Deferred financing costs			
Acquisition of deferred financing costs	(1,761,039)	(997,652)	(3,304,844)
Use of deferred financing costs	3,054,443	3,013,026	3,249,366
	1,293,404	2,015,374	(55,478)
Decrease in net debt	1,695,103	2,403,553	623,840
Net debt, beginning of year	(3,100,880)	(3,100,880)	(3,724,720)
Net debt, end of year	$ (1,405,777)	$ (697,327)	$ (3,100,880)

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

NEWFOUNDLAND AND LABRADOR IMMIGRANT INVESTOR FUND LIMITED
STATEMENT OF CASH FLOWS

For the Year Ended March 31	2015	2014
Operating transactions		
Annual surplus	**$ 388,179**	$ 679,318
Adjustment for non-cash items		
Amortization of deferred financing costs	**3,013,026**	3,249,366
Amortization of discounts on portfolio investments	**(1,477,834)**	(2,213,759)
	1,923,371	1,714,925
Change in non-cash working capital		
Interest receivable	**8,066**	(19,786)
Accounts payable and accrued liabilities	**(3,955)**	-
Cash provided from operating transactions	**1,927,482**	1,695,139
Investing transactions		
Portfolio investments redeemed	**50,283,623**	19,451,473
Cash provided from investing transactions	**50,283,623**	19,451,473
Financing transactions		
Deferred financing charges	**(997,652)**	(3,304,844)
Amount received from investors	**17,363,404**	57,516,114
Refund to investors	**(370,261)**	(68,023)
Repayment of investor funds	**(54,607,753)**	(51,583,405)
Cash (applied to) provided from financing transactions	**(38,612,262)**	2,559,842
Increase in cash	**13,598,843**	23,706,454
Cash, beginning of year	**169,385,540**	145,679,086
Cash, end of year	**$ 182,984,383**	$ 169,385,540

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

1. Nature of operations

Newfoundland and Labrador Immigrant Investor Fund Limited (the Corporation) is a Crown corporation of the Province of Newfoundland and Labrador (the Province) and was incorporated on April 28, 2005 under the *Corporations Act* of the Province. Its affairs are governed by a Board of Directors appointed by the Lieutenant-Governor in Council.

The purpose of the Corporation is to receive, administer and invest funds received from Citizenship and Immigration Canada (CIC) under its Business Immigration Program. Section 92(f) of the *Immigration and Refugee Protection Regulations* to the *Immigration and Refugee Protection Act* requires that during the allocation period of five years, the provincial allocation must be used for the purpose of creating or continuing employment in Canada to foster the development of a strong and viable economy.

In April 2005, the Provincial Cabinet instructed the Board of Directors to direct the investment activities of the Corporation and refer projects to Cabinet for approval. The Provincial Cabinet also directed that all recommended investments be subject to a thorough financial and business analysis by the sponsoring department.

The Minister of Business, Tourism, Culture and Rural Development holds 100% of the issued common shares of the Corporation on behalf of the Province of Newfoundland and Labrador. Currently, there are 100 authorized common shares of no par value with 3 shares issued.

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

2. Summary of significant accounting policies

(a) Basis of accounting

The Corporation is classified as an Other Government Organization as defined by Canadian Public Sector Accounting Standards (CPSAS). These financial statements 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 this statement. 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, interest receivable, portfolio investments, accounts payable and accrued liabilities, and obligations to investors. 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.

2. Summary of significant accounting policies (cont.)

(b) Financial instruments (cont.)

The Corporation subsequently measures all of its financial assets and financial liabilities at cost or amortized cost. Financial assets measured at cost include cash and interest receivable. Portfolio investments are measured at amortized cost as disclosed in Note 3. Financial liabilities measured at cost include accounts payable and accrued liabilities, and obligations to investors.

The carrying values of cash, interest receivable, portfolio investments, accounts payable and accrued liabilities, and obligations to investors 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 in the statement of operations. Amortization of discounts related to portfolio investments is reported as revenue in the statement of operations.

(c) Cash

Cash includes cash in bank.

(d) Deferred financing costs

Deferred financing costs are amortized, on a straight-line basis, over the five year period during which the funds are available to the Corporation.

(e) Obligations to investors

An obligation to an investor is recognized upon receipt of funds from CIC.

(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.

(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.

2. Summary of significant accounting policies (cont.)

(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 estimates include the amortization of discounts on portfolio investments and the amortization of deferred financing costs.

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

The portfolio investments consist of 10 Canadian provincial government guaranteed strip bonds that were purchased between October 25, 2010 and January 20, 2011, and mature between May 26, 2015 and November 15, 2015. Settlement values of these bonds ranged from $524,247 to $7,318,525 with a total cost of $24,405,548 (2014 - $69,788,714), while maturity values range from $600,000 to $8,300,000 and have a total maturity value of $27,767,948. Interest rates range from 2.39% to 3.07%.

Amortization of bond discounts is calculated on a straight-line basis from the date of purchase until maturity. Total accumulated amortization of bond discounts at March 31, 2015 was $3,074,065 (2014 - $6,496,688), giving the investments an amortized cost of $27,479,613 (2014 - $76,285,402).

4. Obligations to investors

One of the conditions for the issuance of a visa to immigrants under the Citizenship and Immigration Canada Business Immigration Program (the Program), is that they must invest $400,000 in Canada for a period of five years. The amount of the investment is allocated to the participating provinces on the first day of the second month following the month payment is received from the investor. $200,000 of the $400,000 is divided equally among the participating provinces while the remaining $200,000 is allocated on the basis of each participating province's gross domestic product as a percentage of the total gross domestic product of all participating provinces.

During the Fall of 2011, a new agreement was signed which now requires immigrants under the Program to invest $800,000 in Canada for a period of five years. Of the $800,000, $400,000 is divided equally among the participating provinces and the remaining $400,000 is allocated on the basis of each participating province's gross domestic product as a percentage of the total gross domestic product of all participating provinces.

4. Obligations to investors (cont.)

As at March 31, 2015, Newfoundland and Labrador Immigrant Investor Fund Limited maintained an allocation of funds from 5,858 investors (2014 - 6,886 investors). Allocations of funds were received from 428 investors in 2014-15 (1,285 investors in 2013-14), 8 investors were refunded in 2014-15 (2 investors in 2013-14) and 1,448 investors were repaid in 2014-15 (1,447 investors in 2013-14).

These obligations to investors are secured by a non-transferable zero interest promissory note issued by CIC, as agent for the Corporation, and the guarantee of the Province of Newfoundland and Labrador. The guarantee is to CIC, as agent for the Corporation, who will repay investors. The promissory notes are repayable without interest, in full, five years from the date the funds were allocated to the Province or within 90 days after the receipt of a written request by the investor for repayment of the funds provided that such a request for repayment has been received by the agent before a visa has been issued to the investor. As at March 31, 2015, 10 investors had not received a permanent resident visa (2014 - 23).

Obligations to investors at March 31, 2015 totaled $211,312,135 (2014 - $248,926,745). Scheduled investment repayment dates are as follows:

April 30, 2015	$ 4,783,320
May 31, 2015	3,826,656
June 30, 2015	5,704,552
July 31, 2015	8,649,880
August 31, 2015	8,891,272
September 30, 2015	6,242,435
October 31, 2015	5,995,560
November 30, 2015	3,502,464
December 31, 2015	2,290,156
January 31, 2016	2,760,736
February 28, 2016	4,548,940
March 31, 2016	2,196,040
April 30, 2016	3,356,804
May 31, 2016	3,325,432
June 30, 2016	3,419,548
July 31, 2016	3,890,128
August 31, 2016	3,199,944
September 30, 2016	3,714,104
October 31, 2016	3,911,492
November 30, 2016	3,935,056
December 31, 2016	4,466,952
January 31, 2017	4,599,532
February 29, 2017	5,513,382

4. Obligations to investors (cont.)

March 31, 2017	4,294,944
April 30, 2017	4,629,994
May 31, 2017	2,710,968
June 30, 2017	2,710,970
July 31, 2017	2,010,384
August 31, 2017	1,401,164
September 30, 2017	1,309,800
October 31, 2017	944,264
November 30, 2017	1,553,472
December 31, 2017	3,788,413
January 31, 2018	4,285,250
February 28, 2018	2,670,526
March 31, 2018	1,676,841
April 30, 2018	3,477,923
May 31, 2018	4,906,333
June 30, 2018	6,210,559
July 31, 2018	6,986,937
August 31, 2018	6,647,490
September 30, 2018	5,372,134
October 31, 2018	4,875,296
November 30, 2018	5,620,595
December 31, 2018	6,836,193
January 31, 2019	2,660,238
February 28, 2019	2,350,908
March 31, 2019	1,391,985
April 30, 2019	3,031,433
May 31, 2019	5,351,409
June 30, 2019	3,866,625
July 31, 2019	1,546,650
August 31, 2019	402,129
September 30, 2019	958,923
October 31, 2019	494,928
November 30, 2019	742,392
December 31, 2019	403,780
January 31, 2020	155,300
February 29, 2020	186,360
March 31, 2020	124,240
Total	$ 211,312,135

5. Deferred financing costs

Deferred financing costs of $5,423,610 (2014 - $7,438,984) consist of a five or seven percent commission paid to CIC approved financial institutions which market the program and assist investors in the administration of their investments. The five percent commission is applicable for applications received on or after December 1, 2010.

6. Financial risk management

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

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Corporation's main credit risk relates to cash, interest receivable, and portfolio 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 cash or interest receivable because these financial instruments are held with a Chartered Bank.

The Corporation is not exposed to significant credit risk from portfolio investments because these investments consist only of Canadian provincial government guaranteed strip bonds.

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 to investors. The Corporation is not exposed to significant liquidity risk related to obligations to investors as this amount is fully guaranteed by the Province. The Corporation also manages liquidity risk by monitoring its cash flows and ensuring that it has sufficient resources available to meet its financial liabilities and contractual obligations. The scheduled repayment dates for obligations to investors is disclosed in Note 4.

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 portfolio investments have fixed values at maturity and fixed interest rates. Also, the Corporation is not exposed to significant interest rate risk related to its obligations to investors as these obligations have fixed values at maturity and are non-interest bearing.

7. Related party transactions

For administrative purposes the Corporation is managed by the Department of Business, Tourism, Culture and Rural Development and portfolio investments are managed by the Department of Finance. Expenses related to salaries, accommodations and administration are incurred directly by the departments and no provision is made in these financial statements for these expenses. The amount of these expenses is not material to these financial statements.

The obligations to investors are guaranteed by the Province.

8. Budgeted figures

Budgeted figures have been prepared by the Corporation and are provided for comparison purposes.

9. 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.

10. Planned wind down of operations

In February 2014, the Federal Government announced the discontinuance of the Business Immigrant Program (the Program). While the Corporation will continue to receive funds from CIC through the Program for 2015, the Program will eventually be discontinued. The Corporation is awaiting further details on the discontinuance of the Program from CIC. CIC has advised that legislative amendments regarding termination must be introduced in Parliament. As a result, there is uncertainty surrounding the planned wind down of the Corporation.

11. Comparative figures

Certain comparative figures as at March 31, 2014 have been reclassified to conform to the current year's presentation.

NEWFOUNDLAND AND LABRADOR INDUSTRIAL DEVELOPMENT CORPORATION

FINANCIAL STATEMENTS

MARCH 31, 2015

Management's Report

Management's Responsibility for the Newfoundland and Labrador Industrial Development 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 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 Newfoundland and Labrador Industrial Development Corporation.

On behalf of the Newfoundland and Labrador Industrial Development Corporation.

Donna Brewer, CPA, CA
Deputy Minister of Finance

Paul Myrden, CPA, CA
Director, Debt Management

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Newfoundland and Labrador Industrial
Development Corporation
St. John's, Newfoundland and Labrador

Report on the Financial Statements

I have audited the accompanying financial statements of the Newfoundland and Labrador Industrial Development Corporation which comprise the statement of financial position as at March 31, 2015, the statements of operations, 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 qualified audit opinion.

Basis for Qualified Opinion

The Newfoundland and Labrador Industrial Development Corporation was unable to assess a portfolio investment in an equity instrument for any objective evidence of impairment as recommended by Section PS 3450, *Financial instruments*, of the Canadian public sector accounting standards. As a result, I was unable to obtain sufficient appropriate audit evidence as to the value of Newfoundland and Labrador Industrial Development Corporation's equity investment as at March 31, 2015. Consequently, I was unable to determine whether an adjustment to this amount was necessary.

Qualified Opinion

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Newfoundland and Labrador Industrial Development Corporation as at March 31, 2015, and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

TERRY PADDON, CPA, CA
Auditor General

July 24, 2015
St. John's, Newfoundland and Labrador

NEWFOUNDLAND AND LABRADOR INDUSTRIAL DEVELOPMENT CORPORATION
STATEMENT OF FINANCIAL POSITION
As at March 31

	2015	2014
	(000's)	(000's)
FINANCIAL ASSETS		
Cash	$ 60	$ 57
Interest receivable	2	2
Portfolio investments (Note 3)	2,481	2,606
	2,543	2,665
LIABILITIES		
Accounts payable and accrued liabilities	-	6
	-	6
Net financial assets	2,543	2,659
NON-FINANCIAL ASSETS	-	-
Accumulated surplus	$ 2,543	$ 2,659

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

Signed on behalf of the Board:

Chairperson **Director**

NEWFOUNDLAND AND LABRADOR INDUSTRIAL DEVELOPMENT CORPORATION
STATEMENT OF OPERATIONS
For the Year Ended March 31

	2015 Budget (000's) (Note 5)	2015 Actual (000's)	2014 Actual (000's)
REVENUES			
Lease income (Note 3)	$ 50	$ 50	$ 50
Interest income on portfolio investment	11	9	7
	61	59	57
EXPENSES			
Professional services	1	-	4
Write down of portfolio investment (Note 3)	175	175	175
	176	175	179
Annual deficit	(115)	(116)	(122)
Accumulated surplus, beginning of year	2,659	2,659	2,781
Accumulated surplus, end of year	$ 2,544	$ 2,543	$ 2,659

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

NEWFOUNDLAND AND LABRADOR INDUSTRIAL DEVELOPMENT CORPORATION
STATEMENT OF CASH FLOWS
For the Year Ended March 31

	2015	2014
	(000's)	(000's)
Operating transactions		
Annual deficit	$ (116)	$ (122)
Adjustment for non-cash items		
Write-down of portfolio investment	175	175
	59	53
Change in non-cash working capital		
Accounts payable and accrued liabilities	(6)	2
Cash provided from operating transactions	53	55
Investing transactions		
Purchase of Guaranteed Investment Certificate	(640)	(590)
Redemption of Guaranteed Investment Certificate	590	540
Cash applied to investing transactions	(50)	(50)
Increase in cash	3	5
Cash, beginning of year	57	52
Cash, end of year	$ 60	$ 57

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

1. Nature of operations

The Newfoundland and Labrador Industrial Development Corporation (NIDC) operates under the authority of the *Industrial Development Corporation Act*. The primary purpose of NIDC is to provide long-term financing to industrial and resource-based companies. Funding is secured through various means including borrowing from the Province of Newfoundland and Labrador (the Province). The affairs of NIDC are managed by a Board of Directors appointed by the Lieutenant-Governor in Council.

NIDC is a Crown entity of the Province and as such is not subject to Provincial or Federal income taxes.

2. Summary of significant accounting policies

(a) Basis of accounting

NIDC 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. NIDC does not prepare a statement of change in net financial assets as this information is readily apparent from the other statements. In addition, NIDC does not prepare a statement of remeasurement gains and losses as NIDC does not enter into relevant transactions or circumstances that are being addressed by the statement. Outlined below are the significant accounting policies followed.

(b) Financial instruments

NIDC's financial instruments recognized on the statement of financial position consist of cash, interest receivable, portfolio 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.

NIDC subsequently measures all of its financial assets and financial liabilities at cost or amortized cost. Financial assets measured at cost include cash and interest receivable. Portfolio investments are measured at cost or amortized cost as disclosed in note 3. 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, interest receivable, portfolio investments (Guaranteed Investment Certificate) and accounts payable and accrued liabilities approximate current fair value due to their nature and/or the short-term maturity associated with these instruments. The carrying value of portfolio investments (equity investment) is intended to approximate market value. Any decline in the value of portfolio investments (equity investment) that is considered to be other than temporary is recorded in the statement of operations. Any write-down of this equity investment to reflect a loss in value would not be reversed for a subsequent increase in value.

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

(c) Cash

Cash includes cash in bank.

(d) 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 earned on portfolio investments is accounted for using the effective interest method.

(e) 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.

(f) 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 valuation of portfolio investments in equity instruments.

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

	2015 (000's)	2014 (000's)
Icewater Seafoods Inc., 35,000 Preference II Shares, at amortized cost	$ 1,841	$ 2,016
Guaranteed Investment Certificate, at cost	640	590
	$ 2,481	$ 2,606

Icewater Seafoods Inc.

During 2004-05, NIDC was authorized by the Province to provide funding to Icewater Seafoods Inc. in the amount of $3,500,000 by way of a preference share investment in order to assist Icewater Seafoods Inc. in its acquisition of the Arnold's Cove seafood processing facility. These Preference II shares, having a par value of $100 per share, are non-voting and redeemable with annual, fixed, preferential and cumulative dividends. The Province advanced funding to NIDC for this investment, by way of two $1,750,000 grants. These grants were received in October 2004 and April 2005, with 17,500 preference shares purchased from each grant.

Pursuant to Section 7 of Schedule "A" to the Subscription Agreement, the par value of each Preference II share should be reduced by $5.00 per share for every year in which a dividend is not payable. To date, no dividend has been payable pursuant to the terms and conditions of the Subscription Agreement. As a result, NIDC's investment in Icewater Seafoods Inc. has been written down in accordance with the Subscription Agreement by $175,000 for the year ended March 31, 2015 (2014 - $175,000).

By Agreement dated October 8, 2004, NIDC has acquired for nominal consideration from High Liner Foods Incorporated, the previous operator of the Arnold's Cove seafood processing facility, its Enterprise Allocations, vessel designations and historic rights for Newfoundland and Labrador offshore fishing areas, as defined by the Agreement. These are intangible assets, and in accordance with current CPSAS, are not valued on these financial statements.

By separate lease Agreement, also dated October 8, 2004, NIDC leased these Enterprise Allocations, vessel designations and historic rights for Newfoundland and Labrador offshore fishing areas, to Icewater Seafoods Inc. and a related company, Icewater Harvesting Inc. This lease is for a period of 20 years with an annual base lease fee of $50,000 along with a contingent variable surcharge amount that is triggered when the annual aggregate cash flow of Icewater Seafoods Inc. and Icewater Harvesting Inc. exceeds a defined minimum threshold. The minimum threshold has never been reached.

Guaranteed Investment Certificate

This investment consists of a Guaranteed Investment Certificate, with a maturity date of December 10, 2015 at an interest rate of 1.25%. The maturity value of the Guaranteed Investment Certificate is $648,000.

4. Financial risk management

NIDC 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 NIDC is exposed to through its financial instruments are credit risk, liquidity risk and market risk. There was no significant change in NIDC'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. NIDC's main credit risk relates to cash, interest receivable, and portfolio investments. NIDC's maximum exposure to credit risk is the carrying amounts of these financial instruments. NIDC is not exposed to significant credit risk with its cash, interest receivable and portfolio investments (Guaranteed Investment Certificate) because these financial instruments are held with a Chartered Bank.

NIDC is exposed to significant credit risk related to its portfolio investments (equity investment). NIDC management actively monitor the company in which the equity investment has been made in an effort to mitigate this risk.

Liquidity risk

Liquidity risk is the risk that NIDC will be unable to meet its financial liabilities. NIDC's exposure to liquidity risk relates mainly to its accounts payable and accrued liabilities. The Corporation manages liquidity risk by monitoring its cash flows and ensuring that it has sufficient resources available to meet its financial liabilities.

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. NIDC is not exposed to significant foreign exchange or other price risk. In addition, NIDC is not exposed to significant interest rate risk.

5. Budgeted figures

Budgeted figures have been prepared by NIDC management and are provided for comparison purposes.

6. Related party transactions

NIDC is administered by employees of the Department of Finance. The costs of administration are paid directly by the Department. These costs are not material and are not reflected in these financial statements.

7. Distribution of earnings

Pursuant to Section 30 of the *Industrial Development Corporation Act,* the balance that the Minister of Finance considers to be available out of the net profits of NIDC is to be paid to the Province at such intervals and in a manner that the Minister may direct by notice to the Chairperson of the Board.

NEWFOUNDLAND AND LABRADOR
LEGAL AID COMMISSION

FINANCIAL STATEMENTS

MARCH 31, 2015

Management's Report

Management's Responsibility for the Newfoundland and Labrador Legal Aid Commission 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 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 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 Newfoundland and Labrador Legal Aid Commission.

On behalf of the Newfoundland and Labrador Legal Aid Commission.

Provincial Director

Lynn Sullivan
Deputy Director

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
The Newfoundland and Labrador Legal Aid Commission
St. John's, Newfoundland and Labrador

Report on the Financial Statements

I have audited the accompanying financial statements of the Newfoundland and Labrador Legal Aid Commission which comprise the statement of financial position as at March 31, 2015, 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 Newfoundland and Labrador Legal Aid Commission as at March 31, 2015, and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

TERRY PADDON, CPA, CA
Auditor General

August 11, 2015
St. John's, Newfoundland and Labrador

NEWFOUNDLAND AND LABRADOR LEGAL AID COMMISSION
STATEMENT OF FINANCIAL POSITION

As at March 31	2015	2014
FINANCIAL ASSETS		
Cash	$ 1,603,632	$ 1,112,876
Accounts receivable (Note 3)	760,268	1,320,676
	2,363,900	2,433,552
LIABILITIES		
Accounts payable and accrued liabilities (Note 4)	2,358,383	2,605,334
Employee future benefits (Note 5)	1,656,368	1,736,039
Deferred revenue	578,000	978,308
	4,592,751	5,319,681
Net debt	(2,228,851)	(2,886,129)
NON-FINANCIAL ASSETS		
Prepaid expenses (Note 7)	180,883	113,131
Tangible capital assets (Note 6)	189,974	232,118
	370,857	345,249
Accumulated deficit	$ (1,857,994)	$ (2,540,880)

Contingent liabilities (Note 8)
Contractual obligations (Note 9)
Trusts under administration (Note 10)

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

Signed on behalf of the Board: Chairperson Member

NEWFOUNDLAND AND LABRADOR LEGAL AID COMMISSION
STATEMENT OF OPERATIONS

For the Year Ended March 31	2015 Budget	2015 Actual	2014 Actual
	(Note 16)		
REVENUES			
Province of Newfoundland and Labrador			
Operating grants	$ 15,594,300	$ 15,594,370	$ 13,221,334
Law Foundation of Newfoundland and Labrador grant	300,000	331,526	287,576
Legal Services	75,000	361,726	308,174
Interest	20,000	24,727	19,181
	15,989,300	16,312,349	13,836,265
EXPENSES (Note 11)			
Administration	6,878,759	6,892,153	6,774,902
Criminal law	5,148,250	5,042,979	4,688,984
Youth law	303,264	292,681	203,236
Civil law	3,564,502	3,401,650	3,424,868
	15,894,775	15,629,463	15,091,990
Annual surplus (deficit)	94,525	682,886	(1,255,725)
Accumulated deficit, beginning of year	(2,540,880)	(2,540,880)	(1,285,155)
Accumulated deficit, end of year	$ (2,446,355)	$ (1,857,994)	$ (2,540,880)

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

NEWFOUNDLAND AND LABRADOR LEGAL AID COMMISSION
STATEMENT OF CHANGE IN NET DEBT

For the Year Ended March 31	2015 Budget	2015 Actual	2014 Actual
	(Note 16)		
Annual surplus (deficit)	$ 94,525	$ 682,886	$ (1,255,725)
Tangible capital assets			
Acquisition of tangible capital assets	-	(60,398)	(30,212)
Amortization of tangible capital assets	-	102,542	117,805
	-	42,144	87,593
Prepaid expenses			
Acquisition of prepaid expenses	-	(180,883)	(113,131)
Use of prepaid expenses	-	113,131	113,068
	-	(67,752)	(63)
Decrease (increase) in net debt	94,525	657,278	(1,168,195)
Net debt, beginning of year	(2,886,129)	(2,886,129)	(1,717,934)
Net debt, end of year	$ (2,791,604)	$ (2,228,851)	$ (2,886,129)

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

NEWFOUNDLAND AND LABRADOR LEGAL AID COMMISSION
STATEMENT OF CASH FLOWS

For the Year Ended March 31	2015	2014
Operating transactions		
Annual surplus (deficit)	**$ 682,886**	$ (1,255,725)
Adjustment for non-cash items		
Amortization	**102,542**	117,805
Bad debt expense	**110,916**	1,688
	896,344	(1,136,232)
Change in non-cash operating items		
Accounts receivable	**449,492**	(461,660)
Accounts payable and accrued liabilities	**(246,951)**	609,522
Employee future benefits	**(79,671)**	(15,236)
Deferred revenue	**(400,308)**	165,228
Prepaid expenses	**(67,752)**	(63)
Cash provided from (applied to) operating transactions	**551,154**	(838,441)
Capital transactions		
Purchase of tangible capital assets	**(60,398)**	(30,212)
Cash applied to capital transactions	**(60,398)**	(30,212)
Net increase (decrease) in cash	**490,756**	(868,653)
Cash, beginning of year	**1,112,876**	1,981,529
Cash, end of year	**$ 1,603,632**	$ 1,112,876

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

1. Nature of operations

The Newfoundland and Labrador Legal Aid Commission (the Commission) operates under the authority of the *Legal Aid Act*. The purpose of the Commission is to establish and administer a plan for the provision of legal aid for the residents of the Province of Newfoundland and Labrador.

The affairs of the Commission are managed by a Board of Commissioners consisting of the Assistant Deputy Minister of Justice and Public Safety (ex-officio), the Provincial Director of the Commission (ex-officio) and five members appointed by the Lieutenant-Governor in Council.

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 financial statements are prepared by management in accordance with CPSAS for provincial reporting entities established by the Canadian Public Sector Accounting Board. 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 being addressed by this statement. Outlined below are the significant accounting policies followed.

(b) Financial instruments

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

The Commission subsequently measures all of its financial assets and financial liabilities at cost or amortized cost. Financial assets measured at cost include cash. Financial assets measured at amortized cost include accounts receivable. Financial liabilities measured at cost include accounts payable and accrued liabilities.

The carrying value of cash, 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.

2. Summary of significant accounting policies (cont.)

(b) Financial instruments (cont.)

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

(c) Cash

Cash includes cash in bank.

(d) Employee future benefits

Employee future benefits include severance pay and accumulating, non-vesting sick leave benefits.

(i) Severance is accounted for on an accrual basis, based upon years of service and current salary levels.

(ii) The cost of accumulating, non-vesting sick leave benefits is calculated based upon management's best estimate of its employees' sick leave utilization rates, sick leave balances, annual sick leave entitlements and current salary levels. Under the former annual leave policy, all employees hired before September 30, 1994 were credited with 2 days sick leave per month. After this date, the Commission moved to the new paid leave policy which did not include a sick leave entitlement. Accumulated benefits under the former policy may be used in future years and, if not used, the benefits cease upon termination of employment.

Under the *Legal Aid Act*, Commission employees shall be considered to be employed in the public service for the purpose of the *Public Service Pensions Act, 1991*. Employee contributions are matched by the Commission and then remitted to the Public Service Pension Plan Corporation from which pensions will be paid to employees when they retire. This plan is a multi-employer defined benefit plan, providing a pension on retirement based on the member's age at retirement, length of service and the average of their best six years of earnings for service on or after January 1, 2015, and, for service before January 1, 2015, the higher of the average of the frozen best 5 years of earnings up to January 1, 2015, or the average of the best 6 years of earnings for all service.

During the year, there were significant changes made to the Public Service Pension Plan. The changes include: increases in contribution rates of between 2.15% and 3.25% of pensionable earnings; calculation of pension benefits, for service on or after January 1, 2015, using the average of the best six years of earnings rather than the average of the best five years of earnings; calculation of pension benefits, for service before January 1, 2015, using the higher of the average of the frozen best 5 years of earnings up to January 1, 2015, or the average of the best 6 years of earnings for all service rather than the average of the best five years of earnings; and increases in the minimum age and/or service requirements for early retirement with an unreduced pension benefit. Employees who are eligible, or become eligible, to retire on or before January 1, 2020, are exempt from increases in the minimum age and/or service requirements for early retirement with an unreduced pension benefit.

The contributions from the Commission to the plan are recorded as an expense for the year.

2. Summary of significant accounting policies (cont.)

(e) Deferred revenue

Deferred revenue represents amounts relating to contracts for legal services which have been entered into with clients for which the legal services have yet to be completed. The deferred revenue will be recognized in the period during which the legal services have been completed.

(f) Tangible capital assets

Tangible capital assets are recorded at cost at the time of acquisition.

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

Office furniture and equipment	5 years
Software development	5 years
Computer equipment	5 years
Leasehold improvements	Remaining life of the rental agreement

Tangible capital assets are written down when conditions indicate that they no longer contribute to the ability of the Commission 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.

(g) Prepaid expenses

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

(h) 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.

Government transfers (Province of Newfoundland and Labrador operating grants) 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 related to the liabilities are settled.

Interest revenue is recognized 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 are recorded as an expense in that year.

(j) 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 collectability of accounts receivable, expected 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. Accounts receivable

	2015	2014
Trade	$ 1,107,615	$ 1,542,423
Harmonized Sales Tax	43,724	58,408
	1,151,339	1,600,831
Less: Allowance for doubtful accounts	(391,071)	(280,155)
	$ 760,268	$ 1,320,676

4. Accounts payable and accrued liabilities

	2015	2014
Trade and other	$ 1,005,638	$ 1,195,776
Salaries and benefits	1,352,745	1,409,558
	$ 2,358,383	$ 2,605,334

5. Employee future benefits

Employee future benefits consist of:

	2015	2014
Severance pay (a)	$ 1,569,723	$ 1,629,080
Accumulating, non-vesting sick leave benefit liability (b)	86,645	106,959
	$ 1,656,368	$ 1,736,039

(a) Severance pay

Severance pay consists of the liability related to the following employees:

	2015	2014
Employees with 9 or more years of service	$ 1,279,963	$ 1,389,157
Employees with less than 9 years of service	289,760	239,923
	$ 1,569,723	$ 1,629,080

(b) Accumulating, non-vesting sick leave benefit liability

	2015	2014
Accumulating, non-vesting sick leave benefit liability	$ 86,645	$ 106,959

(c) Employee future benefits (recovery) expense

Portion of salaries and benefits expense related to employee future benefits:

	2015	2014
Severance pay (recovery) expense	$ (59,357)	$ 37,166
Accumulating non-vesting sick leave benefit (recovery)	(20,314)	(52,402)
	$ (79,671)	$ (15,236)

5. Employee future benefits (cont.)

(d) Employee future benefits

(i) Severance pay

Severance is accounted for on an accrual basis and is calculated based upon years of service and current salary levels. The right to be paid severance vests with employees with nine years of continuous service, and accordingly a liability has been recorded by the Commission 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 provided no severance has been paid by Government or another Crown corporation or agency for the same period and the employee has at least nine years of continuous service. The Commission does not recognize prior service with the public service for the purpose of calculating severance entitlement.

(ii) Accumulating, non-vesting sick leave benefits

All employees hired before September 30, 1994, were credited with 2 sick days per month for use as paid absences during the year due to illness. Subsequent to September 30, 1994, the Commission moved to the new paid leave policy which did not include a sick leave entitlement. Sick leave benefits accumulated prior to September 30, 1994, may be used in future years and, if not used, the benefits cease upon termination of employment. For the year ended March 31, 2015, a sick leave liability was calculated for 16 employees.

(iii) Pension contributions

Under the *Legal Aid Act*, the Commission's employees are subject to the *Public Service Pensions Act, 1991*. The plan will be administered by the Public Service Pension Plan Corporation, 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 age at retirement, length of service and rates of pay. The maximum contribution rate for eligible employees was 11.85% (2014 - 8.6%). The Commission's contributions equal 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, 2015 was $774,073 (2014 - $714,700).

6. Tangible capital assets

Original Cost

	Balance March 31, 2014	Additions	Disposals	Balance March 31, 2015
Office furniture and equipment	$ 1,141,865	$ 26,319	$ -	$ 1,168,184
Computer equipment	643,329	32,369	-	675,698
Software development	186,950	-	-	186,950
Leasehold improvements	80,428	1,710	-	82,138
	$ 2,052,572	$ 60,398	$ -	$ 2,112,970

Accumulated Amortization

	Balance March 31, 2014	Amortization	Disposals	Balance March 31, 2015	Net book value March 31, 2015	Net book value March 31, 2014
Office furniture and equipment	$ 988,114	$ 62,968	$ -	$ 1,051,082	**$ 117,102**	$ 153,751
Computer equipment	583,640	30,625	-	614,265	**61,433**	59,689
Software development	185,589	281	-	185,870	**1,080**	1,361
Leasehold improvements	63,111	8,668	-	71,779	**10,359**	17,317
	$ 1,820,454	$ 102,542	$ -	$ 1,922,996	**$ 189,974**	$ 232,118

7. Prepaid expenses

	2015	2014
Bar fees and insurance	**$ 92,596**	$ 80,190
Software license	**-**	4,400
Library fees	**11,097**	-
Prepaid human resources expenses	**40,158**	-
Prepaid travel	**12,257**	-
Workplace Health, Safety and Compensation Commission	**24,775**	28,541
	$ 180,883	$ 113,131

8. Contingent liabilities

(a) Statements of Claim have been served on the Commission by two former employees for alleged wrongful dismissal. The Commission, through legal counsel, has filed a defence to each claim. The potential settlement amount for the cases has not been disclosed as it may have an adverse effect on the outcome of the claim.

(b) A Statement of Claim has been served on the Commission, as represented by the Department of Transportation and Works, by a company in connection with a tender for office space. The Commission, through legal counsel, has filed a defence. The potential settlement amount has not been disclosed as it may have an adverse effect on the outcome of the claim.

(c) A Statement of Claim in the amount of $8,900 has been served on the Commission by a former employee in connection with severance pay. The Commission, through legal counsel, has filed a defence.

(d) A Statement of Claim has been served on the Commission by a former client for alleged professional negligence in representation pertaining to the division of matrimonial property. The Commission, through legal counsel, has filed a defence. The value of the claim is unknown due to the nature of the damages sought.

9. Contractual obligations

The Commission has entered into agreements requiring lease payments for office rental as follows:

2016	$ 1,321,454
2017	1,284,405
2018	924,491
2019	656,764
2020	650,232
Thereafter	318,756
	$ 5,156,102

10. Trusts under administration

Assets held in trust of $667,627 (2014 - $ 695,454) include amounts received by the Commission for legal services which have yet to be completed. When a contract for legal services is entered into with a client, provision may be made in the contract for periodic payments to be made to the Commission while the legal services are being provided. Once the legal services have been completed, any payments received at that time will be combined with the general funds of the Commission. Any payments received under these contracts subsequent to the completion of legal services will be recorded with the general funds of the Commission immediately. Assets held in trust also include amounts received by the Commission, such as settlements, which will be disbursed once the related services have been completed.

11. Expenses by object

	2015 Budget (Note 16)	2015 Actual	2014 Actual
Amortization	$ -	$ 102,542	$ 117,805
Bad debt expense	-	110,916	1,688
Bar fees and insurance	143,076	157,140	146,867
Commissioners' fees and expenses	85,000	43,742	70,451
Conference and education	228,000	204,694	25,754
Family Justice Services Central Project (Note 12)	-	126,870	138,893
Legal fees and disbursements	1,541,860	1,118,995	1,082,957
Library fees	38,400	25,636	27,049
Miscellaneous	4,000	85,665	86,932
Office and equipment rental	1,507,664	1,502,064	1,496,189
Office expense	318,550	324,208	344,557
Salaries and benefits	11,764,375	11,641,157	11,404,657
Telephone and light	106,350	119,619	83,995
Travel	157,500	66,215	64,196
	$ 15,894,775	$ 15,629,463	$ 15,091,990

12. Family Justice Services Central Project

On March 31, 2004, an Agreement was signed between the Government of Canada and the Province to provide funding to the Province for a Family Justice Services Central Project. The Agreement, which expired on March 31, 2007, covered a portion of the costs of a project designed to provide enhanced access to family law justice services in Central Newfoundland. During the year ended March 31, 2015, the Commission funded this project through its operating grant from the Province. Actual expenditures paid by the Commission for the project were as follows:

	2015 Budget (Note 16)	2015 Actual	2014 Actual
Bar fees	$ -	$ 1,438	$ 1,157
Office expense	-	84	94
Salaries and benefits	-	124,361	134,902
Travel	-	987	2,740
	$ -	$ 126,870	$ 138,893

13. Related party transactions

Province of Newfoundland and Labrador:

During the year, the Commission received $15,594,370 (2014 - $13,221,334) from the Province in Operating grant revenue.

The Office of the Chief Information Officer (OCIO), an entity within the Executive Council of the Province, provides Information Technology (IT) support services to the Commission. These IT costs are reflected in these financial statements in the amount of $103,934 (2014 - $98,304).

The Province provides the Commission with the use of office space for the Family Justice Services Central Project (see Note 12) at no cost.

14. 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.

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.

The Commission is exposed to significant credit risk related to its accounts receivable relating to amounts owed from clients. Legal aid clients enter into a payment program based on a contract for the provision of legal services, and the accounts receivable balance is comprised primarily of small amounts held by a large client base. Any estimated impairment of these accounts receivable has been provided for through a provision for doubtful accounts as disclosed in Note 3.

There have been no significant changes from the previous year in the exposure to credit risk or policies, procedures and methods used to manage credit risk.

Liquidity risk

Liquidity risk is the risk that the Commission will be unable to meet its contractual obligations and financial liabilities. The Commission's exposure to liquidity risk relates mainly to its accounts payable and accrued liabilities, and its contractual obligations. The Commission manages liquidity risk by monitoring its cash flows and ensuring that it has sufficient resources available to meet its contractual obligations and financial liabilities. The future minimum payments required from the Commission in relation to its contractual obligations are outlined in Note 9.

There have been no significant changes from the previous year in the exposure to liquidity risk or policies, procedures and methods used to manage liquidity risk.

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 risk or other price risk. The Commission is not exposed to significant interest rate risk related to cash because of its nature.

There have been no significant changes from the previous year in the exposure to market risk or policies, procedures and methods used to manage market risk.

15. 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.

16. Budget

Budgeted figures, which have been prepared on a cash basis, are provided for comparison purposes and have been approved by the Commission's Board.

Financial Statements of

Newfoundland Labrador Liquor Corporation

April 4, 2015

Building a better working world

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Newfoundland Labrador Liquor Corporation

We have audited the accompanying financial statements of **Newfoundland Labrador Liquor Corporation**, which comprise the statement of financial position as at April 4, 2015 and the statements of comprehensive income, changes in net assets and cash flows for the period 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.

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 those risk assessments, the auditors consider 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 in our audit 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 **Newfoundland Labrador Liquor Corporation** as at April 4, 2015 and its financial performance and cash flows for the period then ended in accordance with International Financial Reporting Standards.

Ernst + Young LLP

St. John's, Canada
June 23, 2015

Chartered Professional Accountants

Newfoundland Labrador Liquor Corporation

STATEMENT OF FINANCIAL POSITION

[in thousands of dollars]

As at

	April 4, 2015 $	April 5, 2014 $
ASSETS		
Current		
Cash and cash equivalents	**17,332**	29,840
Accounts receivable *[note 8]*	**14,019**	11,266
Inventories *[note 9]*	**42,578**	36,100
Prepaid expenses	**2,047**	2,759
Total current assets	**75,976**	79,965
Property, plant and equipment *[note 6]*	**26,587**	27,177
Intangible assets *[note 7]*	**7,028**	6,570
Total assets	**109,591**	113,712
LIABILITIES AND NET ASSETS		
Current		
Accounts payable and accrued liabilities *[note 11]*	**31,225**	26,638
Accrued vacation pay	**3,222**	2,934
Total current liabilities	**34,447**	29,572
Obligations under finance lease *[note 16]*	**236**	312
Employee benefits *[note 10]*	**7,598**	6,758
Total liabilities	**42,281**	36,642
NET ASSETS	**67,310**	77,070
Total liabilities and net assets	**109,591**	113,712

See accompanying notes

On behalf of the Board,

Director

Director

Newfoundland Labrador Liquor Corporation

STATEMENT OF COMPREHENSIVE INCOME

[in thousands of dollars]

Period ended

	April 4, 2015 $	April 5, 2014 $
Sales *[note 12]*	**256,043**	246,460
Commission revenue on sale of beer	**61,393**	59,955
	317,436	306,415
Cost of sales	**112,414**	109,011
Gross profit	**205,022**	197,404
Administrative and operating expenses *[note 13]*	**48,581**	46,326
Earnings from operations	**156,441**	151,078
Other income		
Finance income	**413**	351
Miscellaneous income	**4,241**	3,817
	4,654	4,168
Net earnings for the period	**161,095**	155,246
Other comprehensive income		
Remeasurement of employee benefits *[note 10]*	**(355)**	150
Comprehensive income for the period	**160,740**	155,396

See accompanying notes

Newfoundland Labrador Liquor Corporation

STATEMENT OF CHANGES IN NET ASSETS

[in thousands of dollars]

Period ended

	April 4, 2015 $	April 5, 2014 $
Balance, beginning of period	**77,070**	73,674
Net earnings for the period	**161,095**	155,246
Other comprehensive (expense) income for the period	**(355)**	150
Comprehensive income for the period	**160,740**	155,396
	237,810	229,070
Distributions to the Province of Newfoundland and Labrador	**(170,500)**	(152,000)
Balance, end of year	**67,310**	77,070

See accompanying notes

Newfoundland Labrador Liquor Corporation

STATEMENT OF CASH FLOWS

[in thousands of dollars]

Period ended

	April 4, 2015 $	April 5, 2014 $
OPERATING ACTIVITIES		
Comprehensive income for the period	**160,740**	155,396
Adjustments for non-cash effects		
Depreciation and amortization	**4,114**	4,291
(Gain) loss on disposal of property, plant and equipment	**(2)**	4
Accrued vacation pay	**288**	236
Employee benefits	**1,394**	742
	166,534	160,669
Employee benefit payments	**(554)**	(595)
Change in non-cash working capital		
(Increase)/decrease in accounts receivable	**(2,753)**	684
(Increase)/decrease in inventories	**(6,478)**	240
Decrease in prepaid expenses	**712**	2,598
Increase/(decrease) in accounts payable and accrued liabilities	**4,587**	(2,001)
Cash provided by operating activities	**162,048**	161,595
INVESTING ACTIVITIES		
Proceeds on disposal of property, plant and equipment	**6**	
Purchase of property, plant and equipment	**(2,177)**	(5,140)
Purchase of intangible assets	**(1,809)**	(2,341)
Cash used in investing activities	**(3,980)**	(7,481)
FINANCING ACTIVITIES		
Obligations under finance lease	**(76)**	312
Distributions to the Province of Newfoundland and Labrador	**(170,500)**	(152,000)
Cash used in financing activities	**(170,576)**	(151,688)
Net (decrease) increase in cash during the period	**(12,508)**	2,426
Cash and cash equivalents, beginning of period	**29,840**	27,414
Cash and cash equivalents, end of period	17,332	29,840

See accompanying notes

Newfoundland Labrador Liquor Corporation

NOTES TO FINANCIAL STATEMENTS

April 4, 2015

1. NATURE OF OPERATIONS

The Newfoundland Labrador Liquor Corporation [the "Corporation" or "NLC"] is a Provincial Crown Corporation responsible for managing the importation, sale and distribution of beverage alcohol throughout the Province of Newfoundland and Labrador [the "Province"]. As a Crown Corporation, the NLC is not subject to any Provincial or Federal taxation in relation to its income.

The fiscal year of the Corporation ends on the first Saturday of April. As a result, the Corporation's fiscal year is usually 52 weeks in duration but includes a 53rd week every 5 to 6 years. The periods ended April 4, 2015 and April 5, 2014 both contained 52 weeks.

2. BASIS OF PREPARATION

Statement of compliance

The financial statements of the Corporation have been prepared in accordance with International Financial Reporting Standards ["IFRS"] as issued by the International Accounting Standards Board ["IASB"].

Going concern and basis of measurement

These financial statements were prepared on a going concern basis, under the historical cost convention. The financial statements are presented in Canadian dollars and all values are rounded to the nearest thousand except when otherwise indicated. The financial statements provide comparative information in respect of the previous period.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 [or receivable], excluding returns, rebates, and sales taxes or duty. The Corporation assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Corporation has concluded that it is acting as a principal in all of its revenue arrangements. The Corporation's major revenue streams include sales to retail and wholesale customers and commission revenue on the sale of beer. The following specific recognition criteria apply before revenue is recognized:

Sales of goods

The Corporation generates and recognizes net sales to retail and licensee customers at the point of sale in its stores and upon delivery of products to Liquor Express operators. The commission paid to the Liquor Express operators is deducted from the selling price of the products delivered. The commission paid to Liquor Express operators for the period ended April 4, 2015 was $5.4 million [period ended April 5, 2014 – $5.1 million].

Sales of gift cards are included in accounts payable and accrued liabilities as part of other payables on the statement of financial position at the time of the sale and subsequently recognized in the statement of comprehensive income when redeemed.

Sales exclude HST and other taxes due.

Commission revenue on sale of beer

The Corporation earns a commission on the sale of beer products in the Province sold through Liquor Express outlets and brewer's agent stores. Commissions are recognized on an accrual basis, based upon beer products sold during the reporting period. The commission earned is presented within revenue as it is earned through the ordinary business activities of the Corporation.

Miscellaneous income

Miscellaneous income contains income related to merchandising and marketing of the Corporation's products. It is earned as promotions are executed and the related expenses are incurred.

Foreign currency translation

Transactions in foreign currencies are initially recorded by the Corporation at rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the functional currency spot rate of exchange ruling at the reporting date. Non-monetary assets are valued at the historical amount.

Current versus non-current classification

The Corporation presents assets and liabilities in the statement of financial position based on current/non-current classification.

An asset is classified as current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Corporation classifies all other liabilities as non-current.

Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation and any impairment. The cost includes expenditures that are directly attributable to the acquisition of the items. Repairs and maintenance are charged to the statement of comprehensive income during the period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost less their residual values over their estimated useful lives as follows:

Building components	10 – 50 years
Leasehold improvements	5 – 20 years
Office furniture and equipment	5 – 10 years
Computer hardware	5 – 6 years
Plant and warehouse equipment	5 – 20 years
Store equipment and fixtures	5 – 20 years
Motor vehicles	3 years

Building components include building structure [50 years], building exterior [20 years], mechanical and electrical [20 years], roofing and paving [20 years], and interior finishes [10 years]. These components are combined and presented in these financial statements as building components.

The assets' residual values and useful lives are reviewed and adjusted if appropriate at each statement of financial position date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or the arrangement conveys a right to use the asset. The Corporation analyzes its lease agreements to assess whether they are finance or operating leases, using the lease term, useful life of the underlying asset, the present value of lease payments and other relevant factors.

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

Property under finance lease is recorded as an asset. The corresponding obligation is recorded as a liability at the lower of the fair value of the asset and the present value of the minimum lease payments. Assets are amortized over the shorter of the lease term or the life of the asset.

Intangible assets

Intangible assets consist of trademarks and computer software assets not considered integral to the operation of the related hardware. Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any impairment losses. The Corporation capitalizes internally generated intangible assets that meet capitalization criteria. The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Intangible assets with finite lives [including computer software] are amortized over periods of 5-9 years. New product research and development costs are expensed as incurred.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit ["CGU"] level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis. The Corporation considers the capitalized trademarks to have an indefinite life.

Impairment of non-financial assets

The Corporation assesses at each reporting date whether there is an indication that a non-financial asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Corporation estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of 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 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, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

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.

Cash and cash equivalents

Cash and cash equivalents are defined as short-term deposits with original maturities of three months or less. The Corporation holds a guaranteed investment certificate of $5.0 million [April 5, 2014 – $5.0 million] along with cash held in an interest bearing bank account. The interest income earned on these deposits is recorded as finance income.

Inventories

Inventories are measured at the lower of cost and net realizable value and include raw materials and finished goods. Inventories held in the distribution centres, in transit and in retail stores are measured at landed cost, consisting of acquisition costs, freight and customs and excise duties. In the case of manufactured inventories, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Periodically, NLC reviews its inventory to investigate whether an inventory reserve is required, to reduce the carrying value of inventory for obsolescence and amounts required to value inventory at the lower of cost or net realizable value.

General provisions

General provisions are recognized when the Corporation has a present obligation [legal or constructive] as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Employee benefits

Refer to note 10 for additional details regarding employee benefits.

Severance

The Corporation provides a severance payment to employees upon resignation, retirement or termination subject to certain vesting and other conditions of employment. The obligation is actuarially determined using assumptions based on management's best estimates of the probability of employees meeting the eligibility requirements for severance, salary changes, mortality, and expectations on retention along with other relevant assumptions. Discount rates are based on the yield on high quality corporate bonds with cash flows similar to those of this liability. Actuarial gains or losses are recognized in other comprehensive income ["OCI"] in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Sick leave

Certain employees of the Corporation are entitled to sick leave benefits that accumulate but do not vest. In accordance with IFRS, the Corporation recognizes the liability for the future use of these benefits in the period in which the employee renders the service. The obligation is actuarially determined using assumptions based on management's best estimates of the probability of use of accrued sick leave, salary changes, mortality, and expectations on retention along with other relevant assumptions. Discount rates are based on the yield on high quality corporate bonds with cash flows similar to those of this liability. Actuarial gains or losses are recognized immediately in the statement of financial position with a corresponding debit or credit to net assets through profit or loss in the period in which they occur. Re-measurements are not reclassified to profit or loss ["P&L"] in subsequent periods.

Pension

The Corporation and its employees participate in the Province's Public Service Pensions Plan ["PSPP"], a multi-employer defined benefit plan. The Corporation is however not able to obtain sufficient information from the plan administrator to account for the plan as a defined benefit plan and therefore applies defined contribution accounting guidelines. The Corporation's contributions are expensed as incurred.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or most advantageous market must be accessible by the Corporation.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Corporation uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted [unadjusted] market prices in active markets for identical assets or liabilities;
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Corporation determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization [based on the lowest level input that is significant to the fair value measurement as a whole] at the end of each reporting period.

Financial instruments

Financial assets

Financial assets within the scope of *IAS 39 Financial Instruments: Recognition and Measurement* ["IAS 39"] are classified as financial assets at fair value through profit or loss ["FVTPL"], loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Corporation determines the classification of its financial assets at initial recognition. All financial assets are recognized initially at fair value through profit or loss.

Financial liabilities

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Corporation determines the classification of its financial liabilities at initial recognition and all financial liabilities are recognized initially at fair value.

The Corporation has classified and subsequently measures financial assets/liabilities as follows:

Asset/Liability	Classification	Measurement
Cash and cash equivalents	Financial assets at FVTPL	Fair value through profit or loss
Accounts receivable	Loans and receivables	Amortized cost using Effective Interest Rate Method ["EIR"]
Accounts payable and accrued liabilities	Loans and borrowings	Amortized cost using EIR

The carrying value of the Corporation's financial instruments approximates fair value due to their immediate or short-term maturity and normal credit terms.

Impairment of financial assets

The Corporation assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset [an incurred "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.

For financial assets carried at amortized cost, the Corporation first assesses whether 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.

The amount of any impairment loss identified 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]. The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognized in profit or loss.

Significant accounting judgments, estimates and assumptions

The preparation of the Corporation's financial statements in conformity with IFRS 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 expenses during the reporting period. Actual results could differ from those estimates.

The most significant estimates and assumptions were made as part of the severance and sick leave account balances. The Corporation made assumptions regarding the discount rate, salary increases, and retention rates to estimate the amount of severance and sick leave accrued as of the reporting date. There were no significant judgments used in the preparation of these financial statements.

4. CHANGES IN ACCOUNTING POLICIES

Amendments to IAS 32 *Offsetting Financial Assets and Financial Liabilities*

These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and is applied retrospectively. These amendments have no impact on the existing offsetting arrangements of the Corporation.

IFRIC 21 *Levies*

IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. Retrospective application is required for IFRIC 21. This interpretation has no impact on the Corporation as it has applied the recognition principles under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* consistent with the requirements of IFRIC 21 in prior years.

Annual Improvements *2010-2012 Cycle*

In the 2010-2012 annual improvements cycle, the IASB issued seven amendments to six standards, which included an amendment to IFRS 13 *Fair Value Measurement*. The amendment to IFRS 13 is effective immediately and, thus, for periods beginning at 1 January 2014, and it clarifies in the Basis for Conclusions that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. This amendment to IFRS 13 has no impact on the Corporation.

5. STANDARDS ISSUED BUT NOT YET EFFECTIVE

The Corporation monitors the activities of the IASB and considers the impact that changes in the standards may have on the Corporation's financial reporting. Some of the ongoing projects which may impact the Corporation are as follows:

IFRS 9 *Financial Instruments*

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 [2009, 2010 and 2013] is permitted if the date of initial application is before 1 February 2015. The adoption of IFRS 9 will have no material impact on the classification and measurement of the Corporation's financial assets and liabilities.

Amendments to IAS 19 *Defined Benefit Plans: Employee Contributions*

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after 1 July 2014. It is not expected that this amendment would impact the Corporation, since the Corporation has no defined benefit plans with contributions from employees or third parties.

Annual improvements *2010-2012 Cycle*

These improvements are effective from 1 July 2014 and are not expected to have a material impact on the Corporation. They include:

IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets*

The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset.

Annual improvements *2011-2013 Cycle*

These improvements are effective from 1 July 2014 and are not expected to have a material impact on the Corporation. They include:

IFRS 13 *Fair Value Measurement*

The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 [or IAS 39, as applicable].

Annual improvements *2012-2014 Cycle*

These improvements are effective from 1 January 2016 and are not expected to have a material impact on the Corporation. They include:

IFRS 7 *Financial Instruments: Disclosures*

The amendment clarifies whether a servicing contract is continuing involvement in a transferred asset for the purpose of determining the disclosures required.

IAS 19 *Employee Benefits*

The amendment clarifies that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid [thus, the depth of the market for high quality corporate bonds should be assessed at currency level].

IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted. On April 28, 2015 the International Accounting Standards Board tentatively decided to defer the effective date of IFRS 15 *Revenue from contracts with customers* to January 1, 2018. A decision is expected in July 2015. The Corporation is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

Amendments to IAS 16 and IAS 38: *Clarification of Acceptable Methods of Depreciation and Amortization*

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business [of which the asset is part] rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Corporation given that the Corporation has not used a revenue-based method to depreciate its non-current assets.

The Corporation is analyzing the impact these new standards will have on its financial statements.

6. PROPERTY, PLANT AND EQUIPMENT

	April 4, 2015			April 5, 2014
	Cost $	Accumulated depreciation $	Net book value $	Net book value $
Land	**3,194**	**—**	**3,194**	3,194
Building components	**15,601**	**2,751**	**12,850**	13,199
Leasehold improvements	**13,827**	**9,547**	**4,280**	4,919
Office furniture and equipment	**1,356**	**1,165**	**191**	245
Computer hardware	**5,624**	**3,503**	**2,121**	1,749
Plant and warehouse equipment	**5,621**	**2,937**	**2,684**	2,447
Store equipment and fixtures	**5,099**	**3,983**	**1,116**	1,393
Motor vehicles	**316**	**165**	**151**	31
Assets under construction	**—**	**—**	**—**	—
Total	**50,638**	**24,051**	**26,587**	27,177

	Period ending April 4, 2015			
	Opening balance $	Additions $	Disposals $	Closing balance $
Cost				
Land	3,194	—	—	3,194
Building components	15,414	196	(9)	15,601
Leasehold improvements	14,203	152	(528)	13,827
Office furniture and equipment	1,404	19	(67)	1,356
Computer hardware	4,735	895	(6)	5,624
Plant and warehouse equipment	5,151	492	(22)	5,621
Store equipment and fixtures	4,946	241	(88)	5,099
Motor vehicles	180	182	(46)	316
Total	49,227	2,177	(766)	50,638

	Period ending April 5, 2014				
	Opening balance $	Transfer $	Additions $	Disposals $	Closing balance $
Cost					
Land	704	2,490	—	—	3,194
Building components	5,236	7,367	2,811	—	15,414
Leasehold improvements	14,243	—	100	(140)	14,203
Office furniture and equipment	1,496	—	28	(120)	1,404
Computer hardware	3,964	—	800	(29)	4,735
Plant and warehouse equipment	4,020	—	1,203	(72)	5,151
Store equipment and fixtures	4,779	—	198	(31)	4,946
Motor vehicles	180	—	—	—	180
Assets under construction	9,857	(9,857)	—	—	—
Total	44,479	—	5,140	(392)	49,227

	Period ending April 4, 2015			
	Opening balance $	Depreciation $	Disposals $	Closing balance $
Accumulated depreciation				
Building components	2,215	545	(9)	2,751
Leasehold improvements	9,284	790	(527)	9,547
Office furniture and equipment	1,159	70	(64)	1,165
Computer hardware	2,986	524	(7)	3,503
Plant and warehouse equipment	2,704	255	(22)	2,937
Store equipment and fixtures	3,553	519	(89)	3,983
Motor vehicles	149	60	(44)	165
Total	22,050	2,763	(762)	24,051
Net book value	27,177	(586)	(4)	26,587

	Period ending April 5, 2014			
	Opening balance $	Depreciation $	Disposals $	Closing balance $
Accumulated depreciation				
Building components	1,713	502	—	2,215
Leasehold improvements	8,600	824	(140)	9,284
Office furniture and equipment	1,180	98	(120)	1,159
Computer hardware	2,492	523	(29)	2,986
Plant and warehouse equipment	2,517	256	(68)	2,704
Store equipment and fixtures	3,052	532	(31)	3,553
Motor vehicles	105	44	—	149
Total	19,659	2,779	(388)	22,050
Net book value	24,820	2,361	(4)	27,177

7. INTANGIBLE ASSETS

	April 4, 2015			April 5, 2014
	Cost $	Accumulated amortization $	Net book value $	Net book value $
Trademark	254	—	254	254
Computer software	15,184	8,410	6,774	6,316
	15,438	8,410	7,028	6,570

	Period ending April 4, 2015			
	Opening balance $	Additions/ amortization $	Disposals $	Closing balance $
Cost				
Trademark	254	—	—	254
Computer software	13,386	1,809	(11)	15,184
Total	13,640	1,809	(11)	15,438
Accumulated amortization				
Computer software	7,070	1,351	(11)	8,410
Net book value	6,570	458	—	7,028

	Period ending April 5, 2014			
	Opening balance $	Additions/ amortization $	Disposals $	Closing balance $
Cost				
Trademark	204	50	—	254
Computer software	11,096	2,291	(1)	13,386
Total	11,300	2,341	(1)	13,640
Accumulated amortization				
Computer software	5,559	1,512	(1)	7,070
Net book value	5,741	829	—	6,570

8. ACCOUNTS RECEIVABLE

Accounts receivable include the following:

	April 4, 2015 $	April 5, 2014 $
Accounts receivable	8,798	7,145
Beer commissions receivable	5,221	4,121
	14,019	11,266

Accounts receivable and beer commissions receivable are non-interest bearing and are generally on terms of 7 to 30 days.

As at April 4, 2015, approximately 96% [April 5, 2014 – 97%] of the accounts receivable balance is current. An allowance for doubtful accounts has been recorded in respect of certain non-current receivables in the amount of $0.08 million [April 5, 2014 – $0.04 million].

NOTES TO FINANCIAL STATEMENTS

April 4, 2015

9. INVENTORIES

	April 4, 2015 $	April 5, 2014 $
Distribution centres	**28,363**	19,990
Branch stores	**10,637**	10,682
Stock in transit	**2,312**	3,613
Raw materials	**1,266**	1,815
	42,578	36,100

The total value of inventory expensed to cost of sales for the period ended April 4, 2015 was $108.6 million [April 5, 2014 – $102.9 million]. The inventory value includes a reserve of $1.0 million [April 5, 2014 – $0.6 million]. Residual amounts included in cost of sales include Manufacturing labour and overhead, and foreign exchange gains/losses.

10. EMPLOYEE BENEFITS

Employee benefits include the following:

	April 4, 2015 $	April 5, 2014 $
Accrued severance obligation, beginning of period	**3,611**	3,332
Current service cost	**293**	527
Interest cost	**156**	140
Actuarial loss (gain)[1] due to		
Changes in demographic assumptions	**(1)**	–
Changes in financial assumptions	**356**	(150)
	4,415	3,849
Benefits paid	**(208)**	(238)
Accrued severance obligation, end of period	**4,207**	3,611

[1] Actuarial losses/gains due to changes in assumptions on the severance obligation are recorded in OCI.

NOTES TO FINANCIAL STATEMENTS

April 4, 2015

	April 4, 2015 $	April 5, 2014 $
Accrued sick leave obligation, beginning of period	**3,147**	3,279
Current service cost	**307**	315
Interest cost	**117**	111
Actuarial loss (gain)[1] due to		
Changes in demographic assumptions	**(8)**	—
Changes in financial assumptions	**174**	(201)
	3,737	3,504
Benefits paid	**(346)**	(357)
Accrued sick leave obligation, end of period	**3,391**	3,147
Total employee benefits, end of period	**7,598**	6,758

[1] Actuarial losses/gains due to changes in assumptions on the sick leave obligation are recorded in P&L.

The significant assumptions used by the Corporation in calculating the provisions are as follows:

	April 4, 2015 %	April 5, 2014 %
Salary increases	**3.25**	3.25
Discount rate – severance liability	**3.35**	4.10
Discount rate – sick leave liability	**2.75**	3.55

Employee retention rates used vary depending on age and length of service.

The table below shows the sensitivities of the total employee benefits to a change in the key assumptions:

	Sick leave obligation $	Sick leave obligation %	Severance obligation $	Severance obligation %
Discount Rate				
1% decrease	245	7.2	690	16.4
1% increase	(215)	(6.3)	(572)	(13.6)
Salary increase				
1% decrease	(312)	(9.2)	(586)	(13.9)
1% increase	353	10.4	695	16.5
Sick leave usage				
1% decrease	(318)	(9.4)	—	—
1% increase	316	9.3	—	—

The last actuarial valuation was performed effective April 7, 2012; the next actuarial valuation will be performed as at April 4, 2015. The results of that valuation will be reflected in the April 2, 2016 financial statements.

Pension plan

The Corporation's share of pension expense paid to the PSPP for the 52 weeks ended April 4, 2015 is $1.8 million [April 5, 2014 - $1.7 million].

During the year ended April 4, 2015 changes were made to the PSPP by the plan administrators including in increase in retirement ages, changes to post retirement indexing, and increased contributions from both PSPP members and the Corporation. These changes were effective January 1, 2015.

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	April 4, 2015 $	April 5, 2014 $
Excise duties	**11,080**	8,813
Accrued liabilities	**7,695**	7,008
Trade payables	**6,221**	4,872
HST payable	**2,141**	2,321
Other payables	**4,088**	3,624
	31,225	26,638

12. SALES

Sales include the following:

	April 4, 2015 $	April 5, 2014 $
Sales of beverage alcohol	**249,992**	239,270
Other	**6,051**	7,190
	256,043	246,460

NOTES TO FINANCIAL STATEMENTS

April 4, 2015

13. ADMINISTRATIVE AND OPERATING EXPENSES

	April 4, 2015 $	April 5, 2014 $
Salaries and employee benefits	**29,321**	27,777
Depreciation and amortization	**4,114**	4,291
Marketing	**3,292**	2,891
Rent and municipal taxes	**2,536**	2,635
Interest and bank charges	**2,313**	2,163
Other	**7,005**	6,569
	48,581	46,326

14. CAPITAL MANAGEMENT

The Corporation defines capital that it manages as net assets. Due to its nature as a Crown Corporation, NLC's capital management is strongly influenced by the liquidity forecasts of the Province, and although the Corporation prepares its own budget, including proposed distributions, the Province may at any time decide to request an additional distribution or to increase the distributions as included in the budget. Generally, the Corporation aims at maintaining a net assets balance that ensures that the Corporation is able to fund its obligations as they fall due and has available a reserve to allow for unexpected expenditures. Annual budgets and distribution plans are set to accommodate the Corporation's expenditures in relation to planned investments in property, plant and equipment and intangible assets.

No changes were made in the objective, policies, or processes for managing capital during the periods ended April 4, 2015 and April 5, 2014.

15. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Corporation's principal financial liabilities comprise trade and other payables. The Corporation's principal financial assets include trade and other receivables and cash and cash equivalents that derive directly from its operations. The primary risk to the Corporation is credit risk.

Credit risk

The Corporation is exposed to credit risk with respect to accounts receivable from customers. The Corporation provides products to a large customer base, which minimizes the concentration of credit risk. There were two customers that accounted for 10% or more of the Corporation's accounts receivable as at April 4, 2015 [April 5, 2014 – two customers]. The Corporation has credit evaluation, approval and monitoring processes intended to mitigate potential credit risks, and utilizes internal and third-party collections processes for overdue accounts.

NOTES TO FINANCIAL STATEMENTS

Accounts receivable balances related to Liquor Express store operations are subject to general security agreements. The Corporation also maintains provisions for potential credit losses that are assessed on an ongoing basis.

16. COMMITMENTS

The Corporation has entered into rental leases covering most of its corporate stores and have concluded that all of its retail store leases are operating leases.

Annual operating lease obligations are as follows:

	April 4, 2015 $	April 5, 2014 $
Within one year	**2,343**	2,421
After one year but no more than five years	**5,984**	7,416
More than five years	**987**	1,561

The Corporation has one finance lease with the following lease obligations:

	April 4, 2015 $	April 5, 2014 $
Within one year	**82**	82
After one year but no more than five years	**154**	230
More than five years	**—**	—

17. RELATED PARTY TRANSACTIONS

The Corporation uses office and warehouse space in St. John's that is owned by the Department of Works, Services and Transportation of the Province. The Corporation is not required to make any payments to the Department of Works, Services and Transportation; no amount has been recorded in these financial statements. All operating, leasehold and maintenance costs related to the buildings are the responsibility of the Corporation.

During the period ended April 4, 2015, the Corporation made distributions of $170.5 million [period ended April 5, 2014 – $152.0 million] to the Province.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of NLC, being the members of the Executive Management [CEO/President, Senior Vice President & CFO, Vice President of Sales and Marketing, Vice President of Supply Chain Management, Vice President of Human Resources and Corporate Administration, and Chief Information Officer]. The total compensation [including salary and benefits] paid to key management personnel for the 52 weeks ended April 5, 2014 was $0.9 million [April 5, 2014 – $0.9 million].

NOTES TO FINANCIAL STATEMENTS

April 4, 2015

18. COMPARATIVE FINANCIAL STATEMENTS

The comparative notes to the financial statements have been reclassified to conform to the presentation adopted for the current year.

19. SUBSEQUENT EVENTS

The financial statements of the Corporation for the 52 weeks ended April 4, 2015 were authorized for issue in accordance with a resolution of the Board of Directors on June 23, 2015.

NEWFOUNDLAND AND LABRADOR MUNICIPAL FINANCING CORPORATION

FINANCIAL STATEMENTS

MARCH 31, 2015

Management's Report

Management's Responsibility for the Newfoundland and Labrador Municipal Financing 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 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 Newfoundland and Labrador Municipal Financing Corporation.

On behalf of the Newfoundland and Labrador Municipal Financing Corporation.

Donna Brewer, CPA, CA	Paul Myrden, CPA, CA
Deputy Minister of Finance	Director, Debt Management

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Newfoundland and Labrador Municipal
Financing Corporation
St. John's, Newfoundland and Labrador

Report on the Financial Statements

I have audited the accompanying financial statements of the Newfoundland and Labrador Municipal Financing Corporation which comprise the statement of financial position as at March 31, 2015, 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 Newfoundland and Labrador Municipal Financing Corporation as at March 31, 2015, and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

TERRY PADDON, CPA, CA
Auditor General

July 16, 2015
St. John's, Newfoundland and Labrador

NEWFOUNDLAND AND LABRADOR MUNICIPAL FINANCING CORPORATION
STATEMENT OF FINANCIAL POSITION
As at March 31

	2015	2014
	(000's)	(000's)
FINANCIAL ASSETS		
Cash	$ 83	$ 104
Portfolio investments (Note 3)	9,985	4,666
Accounts receivable	2,739	2,998
Accrued interest receivable	58	116
Loans receivable (Note 4)	25,904	37,533
	38,769	45,417
LIABILITIES		
Accounts payable and accrued liabilities	1	36
Accrued interest payable	25	54
Debenture debt (Note 5)	18,064	25,630
Reserve fund (Note 6)	4,181	4,210
	22,271	29,930
Net financial assets	16,498	15,487
NON-FINANCIAL ASSETS		
Deferred charges (Note 7)	20	37
Accumulated surplus	$ 16,518	$ 15,524

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

Signed on behalf of the Board of Directors:

Chairperson

Director

NEWFOUNDLAND AND LABRADOR MUNICIPAL FINANCING CORPORATION
STATEMENT OF OPERATIONS
For the Year Ended March 31

	2015 Budget	2015 Actual	2014 Actual
	(000's) (Note 10)	(000's)	(000's)
REVENUES			
Interest on loans to municipal corporations	$ 2,352	$ 2,352	$ 3,270
Interest on portfolio investments	88	88	35
	2,440	2,440	3,305
EXPENSES			
Administrative and miscellaneous	113	94	134
Amortization of deferred charges:			
Issue expenses on debenture debt	11	12	15
Premiums and discounts on debenture debt	5	5	7
Interest on long-term debt	1,335	1,335	1,820
	1,464	1,446	1,976
Annual surplus	976	994	1,329
Accumulated surplus, beginning of year	15,524	15,524	14,195
Accumulated surplus, end of year	$ 16,500	$ 16,518	$ 15,524

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

NEWFOUNDLAND AND LABRADOR MUNICIPAL FINANCING CORPORATION
STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
For the Year Ended March 31

	2015 Budget	2015 Actual	2014 Actual
	(000's) (Note 10)	(000's)	(000's)
Annual surplus	$ 976	$ 994	$ 1,329
Use of deferred charges	16	17	22
Increase in net financial assets	992	1,011	1,351
Net financial assets, beginning of year	15,487	15,487	14,136
Net financial assets, end of year	$ 16,479	$ 16,498	$ 15,487

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

NEWFOUNDLAND AND LABRADOR MUNICIPAL FINANCING CORPORATION
STATEMENT OF CASH FLOWS

For the Year Ended March 31	2015	2014
	(000's)	(000's)
Operating transactions		
Annual surplus	$ 994	$ 1,329
Adjustment for non-cash items		
Accrued interest income on coupons	-	(3)
Amortization of issue expenses on debenture debt	12	15
Amortization of premiums and discounts on debenture debt	5	7
	1,011	1,348
Change in non-cash working capital	253	348
Cash provided from operating transactions	1,264	1,696
Investing transactions		
Portfolio investments	(5,358)	(4,600)
Portfolio investment - coupons redeemed	39	164
Loan payments received from municipal corporations	11,629	14,156
Cash provided from investing transactions	6,310	9,720
Financing transactions		
Retirement of debenture debt	(7,566)	(9,816)
Reserve fund allocations made	(29)	(43)
Cash applied to financing transactions	(7,595)	(9,859)
(Decrease in cash) increase in cash/decrease in bank indebtedness	(21)	1,557
Cash (bank indebtedness), beginning of year	104	(1,453)
Cash, end of year	$ 83	$ 104

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

1. Nature of operations

The Newfoundland and Labrador Municipal Financing Corporation (the Corporation) is established under the *Municipal Financing Corporation Act*. The Corporation was created to provide long-term financing for the capital requirements of municipal corporations by the issuance of its securities, and relending the funds to municipal corporations. As described in note 12, the Corporation is undergoing a planned wind down of its operations. The Corporation's affairs are managed by a Board of Directors appointed by the Lieutenant-Governor in Council. All board members are full-time employees of the Province of Newfoundland and Labrador (the Province).

The Corporation is a Crown entity of the Province 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 Canadian Public Sector Accounting Board (PSAB). The Corporation does not prepare a statement of remeasurement gains and losses as the Corporation does not enter into relevant transactions or circumstances that are being addressed by this statement. Outlined below are the significant accounting policies followed.

(b) Financial instruments

The Corporation's financial instruments recognized on the statement of financial position consist of cash, portfolio investments, accounts receivable, accrued interest receivable, loans receivable, accounts payable and accrued liabilities, accrued interest payable and debenture debt. 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, accounts receivable, accrued interest receivable, and loans receivable. Portfolio investments are measured at cost or amortized cost as disclosed in note 3. Financial liabilities measured at cost include accounts payable and accrued liabilities and accrued interest payable. Debenture debt is measured at amortized cost as disclosed in note 5.

2. Summary of significant accounting policies (cont.)

(b) Financial instruments (cont.)

The carrying values of cash, portfolio investments, accounts receivable, accrued interest receivable, accounts payable and accrued liabilities and accrued interest payable approximate current fair value due to their nature and/or the short-term maturity associated with these instruments. The carrying value of loans receivable and debenture debt is 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) Bank indebtedness

Bank indebtedness includes draw downs on the Corporation's operating credit facility, net of cash in bank.

(e) Premiums, discounts and issue expenses on debenture debt

Premiums, discounts and issue expenses are deferred and amortized on a straight-line basis over the life of the debenture issue to which they relate. In the case of the early retirement of debenture debt, a proportionate amount of the deferred balance is included with the gain or loss in the determination of net income for the period.

(f) Portfolio investments

Portfolio investments include Government of Canada coupons and other short-term portfolio investments at amortized cost and term deposits recorded at cost.

(g) Loans receivable

The Corporation records loans receivable at amortized cost. Options exist for the recovery from the Province of any defaults by municipal corporations and as such no allowance for doubtful accounts has been provided. Interest is accrued on loans receivable to the extent it is deemed collectible.

2. Summary of significant accounting policies (cont.)

(h) Accounts receivable

Accounts receivable consists of arrears (principal and interest) on loans receivable along with interest charged on the arrears. The Corporation ceased charging interest on arrears in November 2009.

(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.

Interest income is accounted for using the effective interest method for interest on portfolio investments and interest on loans receivable. Recognition of interest is in accordance with the terms of the original loan agreement.

(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.

The Corporation is administered by the Department of Finance. Expenses related to salaries are paid directly by the Department and reimbursed by the Corporation and reflected in these financial statements.

(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 collectability of loans receivable.

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

Portfolio investments consist of 4 Government of Canada coupons that were purchased on January 26, 2001 and November 15, 2002, and mature between June 1, 2015 and December 1, 2016. Settlement values of these securities range from $1,253 to $2,885 with a total cost of $13,565 (2014 - $32,083), while maturity values range from $2,980 to $5,649 and have a total maturity value of $28,556. In addition, two short-term investments were purchased from the Bank of Nova Scotia. On March 17, 2015 a Bank Discount Note at a cost of $7,964,960 maturing on September 22, 2015 and on March 31, 2015 a Bankers Acceptance at a cost of $1,992,660 maturing on September 15, 2015 were purchased. The maturity value of these other portfolio investments is $10,000,000. The portfolio investments are valued as follows:

	2015 (000's)	2014 (000's)
Portfolio investments - coupons at cost	$ 14	$ 32
Amortization of discount on portfolio investments	14	34
	28	66
Other portfolio investments	9,957	4,600
	$ 9,985	$ 4,666

4. Loans receivable

As at March 31, 2015, loans receivable from municipal corporations were $25,903,726 (2014 - $37,533,434). Interest rates range from 6.375% to 12.000%.

Loans to municipal corporations are made on the security of their debentures. Options exist for the recovery from the Province of any defaults by municipal corporations. Therefore, no allowance for doubtful accounts has been provided.

Principal payments receivable are as follows:

Year	Amount (000's)
2016	9,297
2017	6,980
2018	4,620
2019	3,115
2020	1,892
	$ 25,904

5. Debenture debt

The Corporation's debenture debt is unconditionally and fully guaranteed as to principal and interest by the Province. Details of debt outstanding are as follows:

Series	Remaining Term	Interest Rate	March 31 2015	March 31 2014	
		%	(000's)	(000's)	
MFC-40			$ -	$ 1,000	
MFC-43	Sep 20, 2015-16	6.375 - 6.500	4,000	6,000	(a)
MFC-44	Mar 15, 2016-17	6.125	2,000	3,000	(b)
MFC-47	Mar 17, 2016-19	5.000 - 5.200	5,064	6,330	(c)
MFC-48	Mar 29, 2016-20	5.000 - 5.200	7,000	9,300	(d)
Total			$ 18,064	$ 25,630	

(a) MFC-43: On September 20 of each year, the Corporation is to redeem $2,000,000 in the years 2015 to 2016 inclusive.

(b) MFC-44: On March 15 of each year, the Corporation is to redeem $1,000,000 in the years 2016 to 2017 inclusive.

(c) MFC-47: On March 17 of each year, the Corporation is to redeem $1,266,000 in the years 2016 to 2019 inclusive.

(d) MFC-48: On March 29 of each year, the Corporation is to redeem $1,400,000 in the years 2016 to 2020 inclusive.

Estimated debenture maturities are as follows:

Year Ending March 31	Debenture Maturities
	(000's)
2016	5,666
2017	5,666
2018	2,666
2019	2,666
2020	1,400
	$ 18,064

6. Reserve fund

The Province has historically funded a reserve fund established to mitigate arrears with respect to municipal loans. The reserve fund is allocated as the Department of Municipal and Intergovernmental Affairs concludes negotiations with various municipal corporations with respect to restructuring debt due to the Corporation.

The year end reserve fund balance is as follows:

	2015 (000's)	2014 (000's)
Reserve fund, beginning of year	$ 4,210	$ 4,253
Less: funds allocated during year	29	43
Reserve fund, end of year	$ 4,181	$ 4,210

7. Deferred charges

	2015 (000's)	2014 (000's)
Issues expenses on debenture debt	$ 14	$ 26
Premiums and discounts on debenture debt	6	11
	$ 20	$ 37

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 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 Newfoundland and Labrador Municipal Financing 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, portfolio investments, accounts receivable, accrued interest receivable and loans receivable. The Corporation's maximum exposure to credit risk is the carrying amounts of these financial instruments. The Corporation is not exposed to significant credit risk with its cash because this financial instrument is held with a Chartered Bank. The Corporation is not exposed to significant credit risk with portfolio investments or accrued interest receivable because of their nature.

8. Financial risk management (cont.)

Credit risk (Cont.)

The Corporation is also not exposed to significant credit risk with accounts receivable (arrears on loans receivable) and loans receivable since options exist for the recovery from the Province of any defaults by municipal corporations. The Corporation is also not exposed to significant credit risk from accounts receivable, accrued interest receivable and loans receivable due to the Reserve Fund provided by the Department of Municipal and Intergovernmental Affairs.

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, accrued interest payable and debenture debt. The Corporation manages liquidity risk by monitoring its cash flows and ensuring that it has sufficient resources available to meet its financial liabilities. The Corporation's debenture debt is long-term with fixed repayment terms as outlined in note 5. In addition, the Corporation has access to an operating credit facility which allows draw downs to a maximum of $3,000,000. As at March 31, 2015, the Corporation had drawn down $0 on its operating credit facility.

Market risk

Market risk is the risk that the fair value or 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 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 portfolio investments, loans receivable and debenture debt are at fixed interest rates.

9. Related party transactions

The Corporation is administered by employees of the Department of Finance. The salary costs of $82,122 (2014 - $92,164) for these employees are paid by the Department of Finance, reimbursed by the Corporation, and are reflected in these financial statements.

10. Budgeted figures

Budgeted figures have been provided for comparison purposes and have been derived from the estimates approved by the Director of Debt Management.

11. 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.

12. Planned wind down of operations

In 2005-06, the Province of Newfoundland and Labrador decided to no longer refinance its portion of completed municipal capital projects through the Corporation as most municipalities finance their share independently through financial institutions. As a result, the Corporation will be winding up its operations over the coming years as it collects its loans receivable and repays its debenture debt.

Newfoundland and Labrador Sports Centre Inc.

Financial Statements

Year Ended March 31, 2015

NOSEWORTHY CHAPMAN
CHARTERED ACCOUNTANTS

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

To the Board of Newfoundland and Labrador Sports Centre Inc.

We have audited the accompanying financial statements of Newfoundland and Labrador Sports Centre Inc., which comprise the statement of financial position as at March 31, 2015, and the statements of operations and accumulated surplus, change in net financial assets and cash flows for the years 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.

Basis for Qualified Opinion

In common with many not-for-profit organizations, Newfoundland and Labrador Sports Centre Inc. derives revenue from donations the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of Newfoundland and Labrador Sports Centre Inc. Therefore, we were not able to determine whether any adjustments might be necessary to donation revenue, excess of revenues over expenses, and cash flows from operations for the year ended March 31, 2015, current assets and net assets as at March 31, 2015.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Newfoundland and Labrador Sports Centre Inc. as at March 31, 2015 and the results of its operations and its cash flows for the year then ended in accordance with Canadian Accounting Standards for Not-for-Profit Organizations.

Noseworthy Chapman

Chartered Professional Accountants
St. John's, NL
June 8, 2015

NEWFOUNDLAND AND LABRADOR SPORTS CENTRE INC.

Statement of Financial Position
Year Ended March 31, 2015

	2015	2014
FINANCIAL ASSETS		
Cash	$ 327,373	$ 247,777
Temporary investments	316,586	311,887
Accounts receivable	20,923	194,501
	664,882	754,165
LIABILITIES		
Payables and accruals (Note 4)	$ 33,388	$ 48,523
Government remittances payable	388	15,799
Deferred contributions (Note 5)	362,263	466,799
	396,039	531,121
Net financial assets	268,843	223,044
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 6)	$ 6,492,026	$ 6,532,273
Prepaid expenses	3,848	6,174
	6,495,874	6,538,447
ACCUMULATED SURPLUS	$ 6,764,717	$ 6,761,491
Accumulated surplus comprised of:		
Unrestricted net assets	$ 6,764,717	$ 6,761,491

On Behalf of the Board:

_______________ Chairperson

_______________ Director

NEWFOUNDLAND AND LABRADOR SPORTS CENTRE INC.

Statement of Operations and Accumulated Surplus
Year Ended March 31, 2015

	Budget 2015 (Unaudited)	**2015**	2014
REVENUES			
Government grants	$ 650,000	**$ 532,000**	$ 423,500
Rental	148,000	**173,708**	223,826
Miscellaneous	3,100	**2,659**	2,951
Donation	6,500	**21,265**	6,276
Interest	1,000	**4,699**	4,269
	808,600	**734,331**	660,822
EXPENDITURES			
Advertising and promotion	$ 1,675	**$ 934**	$ 1,175
Amortization	-	**192,334**	190,668
Insurance	4,800	**5,336**	4,732
Interest and bank charges	185	**172**	189
Memberships	200	**188**	-
Miscellaneous	6,500	**2,758**	3,525
Office	6,500	**3,490**	4,316
Online booking maintenance	1,900	**1,544**	2,162
Professional fees	4,500	**6,194**	5,000
Property taxes	2,200	**2,235**	2,545
Rental	2,000	**852**	2,065
Repairs and maintenance	287,500	**56,152**	48,002
Salaries and wages	315,121	**309,598**	305,231
Security	1,700	**1,158**	1,094
Supplies	37,650	**23,046**	27,358
Telephone	1,600	**860**	1,879
Training	1,500	**1,152**	1,417
Utilities	126,550	**121,171**	119,701
Vehicles	1,500	**1,931**	1,436
	803,581	**731,105**	722,495
ANNUAL SURPLUS (DEFICIT)	$ 5,019	**$ 3,226**	$ (61,673)
Accumulated surplus, beginning of year		**6,761,491**	6,823,164
Accumulated surplus, end of year		**$ 6,764,717**	$ 6,761,491

NEWFOUNDLAND AND LABRADOR SPORTS CENTRE INC.

Statement of Changes in Net Financial Assets
Year Ended March 31, 2015

	Budget 2015 (Unaudited)	**2015**	2014
Annual surplus (deficit)	$ 5,019	**$ 3,226**	$ (61,673)
Changes in tangible capital assets			
Acquisition of tangible capital assets	-	**(152,087)**	(15,771)
Amortization of tangible capital assets	-	**192,334**	190,668
	-	**40,247**	174,897
Change in other non-financial assets			
Net acquisition of prepaid expenses	-	**2,326**	353
	-	**2,326**	353
Increase in net assets	5,019	**45,799**	113,577
Net financial assets, beginning of year	223,044	**223,044**	109,467
Net financial assets, end of year	$ 228,063	**$ 268,843**	$ 223,044

NEWFOUNDLAND AND LABRADOR SPORTS CENTRE INC.

Statement of Cash Flows
Year Ended March 31, 2015

	2015	2014
Operating transactions		
Cash receipts from government and customers	**$ 777,837**	$ 672,122
Cash paid to suppliers and employees	**(566,817)**	(500,977)
Donations received	**21,265**	6,276
Interest received	**4,269**	5,792
Interest and bank charges paid	**(172)**	(189)
Cash provided by operating transactions	**236,382**	183,024
Capital transactions		
Purchase of capital assets	**(152,087)**	(15,771)
Cash used in capital transactions	**(152,087)**	(15,771)
Increase in cash during year	**84,295**	167,253
Cash position, beginning of year	**559,664**	392,411
Cash position, end of year	**$ 643,959**	$ 559,664
Cash consists of:		
Cash	**$ 327,373**	$ 247,777
Term deposits	**316,586**	311,887
	$ 643,959	$ 559,664

Notes to the Financial Statements
Year Ended March 31, 2015

1. NATURE OF OPERATIONS

Newfoundland and Labrador Sports Centre Inc. (the "organization") was incorporated under the Corporations Act of Newfoundland and Labrador on April 3, 2008. The organization is a Provincial Crown Corporation that provides a training centre for all sports available to the youth of the Province of Newfoundland and Labrador.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

These financial statements are prepared by management in accordance with generally accepted accounting principles for provincial reporting entities established by the Canadian Public Sector Accounting Board (PASB). The organization does not prepare a statement of re-measurement gains and losses as the organization does not enter into relevant transactions or circumstances that are addressed by that statement.

Financial instruments

The organization's financial instruments recognized in the statement of financial position consist of cash, receivables, temporary investments, payables and accruals, and government remittance payable. The organization 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 organization 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 organization's carrying value of cash, receivables, temporary investments, payables and accruals, and government remittance payable approximates its fair value due to the immediate or short term maturity of these instruments

Temporary investments

Temporary investments consist of guaranteed investment certificates with maturities of less than a year.

Capital assets

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

Building	40 years	straight-line method
Equipment	5 years	straight-line method

Capital assets are written down when conditions indicate that they no longer contribute to the organization'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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Revenues

Government transfers with stipulations restricting their use are recognized as revenue when the transfer is authorized and the eligibility criteria are met by the organization, 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.

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.

Rental revenue is recognized on the accrual basis in accordance with the terms of the corresponding lease agreements.

Interest revenue is recognized on the accrual basis as earned.

Donation revenue is recognized when received.

Expenses

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

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 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. 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. FINANCIAL INSTRUMENTS

The organization 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, 2015.

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The organization is exposed to credit risk from customers. In order to reduce its credit risk, the organization reviews a new customer's credit history before extending credit and conducts regular reviews of its existing customers' credit performance. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. The organization has a significant number of customers which minimizes concentration of credit risk.

4. PAYABLES AND ACCRUALS

	2015	2014
Accounts payable	$ 19,762	$ 19,129
Accrued liabilities	5,293	22,580
Accrued salary and benefits	8,333	6,814
	$ 33,388	$ 48,523

5. DEFERRED CONTRIBUTIONS

Deferred contributions represent government transfers received 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.

6. CAPITAL ASSETS

				2015
	Land	Building	Equipment	Total
Cost				
Opening balance	$ 280,000	$ 7,468,320	$ 548,610	**$ 8,296,930**
Additions	-	152,087		**152,087**
Closing balance	280,000	7,620,407	548,610	**8,449,017**
Accumulated amortization				
Opening balance	-	1,229,113	535,544	**1,764,657**
Amortization	-	187,979	4,355	**192,334**
Closing balance	-	1,417,092	539,899	**1,956,991**
Net book value	$ 280,000	$ 6,203,315	$ 8,711	**$ 6,492,026**

				2014
	Land	Building	Equipment	Total
Cost				
Opening balance	$ 280,000	$ 7,452,549	$ 548,610	**$ 8,281,159**
Additions	-	15,771		**15,771**
Closing balance	280,000	7,468,320	548,610	**8,296,930**
Accumulated amortization				
Opening balance	-	1,042,799	531,190	**1,573,989**
Amortization	-	186,314	4,354	**190,668**
Closing balance	-	1,229,113	535,544	**1,764,657**
Net book value	$ 280,000	$ 6,239,207	$ 13,066	**$ 6,532,273**

7. BUDGET FIGURES

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

NEWFOUNDLAND HARDWOODS LIMITED

Auditor's Report

Financial Statements

Year ended March 31, 2015

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Newfoundland Hardwoods Limited:

I have audited the accompanying financial statements of Newfoundland Hardwoods Limited, which comprise the statement of financial position as at March 31, 2015 and the statement of operations and accumulated surplus and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management is responsible for the preparation and fair representation of these financial statements in accordance with Canadian Public Sector Accounting Standards, and for such internal controls as management determines necessary to enable the preparation of financial statements that are free of material misstatement, whether due to fraud or error.

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 whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, 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.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Newfoundland Hardwoods Limited as at March 31, 2015 and it's financial performance and it's cash flows for the year then ended in accordance with the standards established by the Public Sector Accounting Board of The Canadian Institute of Chartered Professional Accountants.

CHARTERED PROFESSIONAL ACCOUNTANT

Clarenville, Newfoundland
May 20, 2015

NEWFOUNDLAND HARDWOODS LIMITED

Statement of Financial Position

March 31, 2015

Assets

	2015	2014
Financial assets:		
Cash	$ 107,275	111,606
Harmonized sales tax receivable	266	--
	$ 107,541	111,606

Liabilities and Shareholders' Equity

	2015	2014
Liabilities:		
Payables and accruals	$ 1,500	1,500
Contingent losses (Note 3)	--	--
Commitments (Note 4)	--	--
Shareholders' equity:		
Common shares of no par value:		
Authorized an unlimited number; issued and fully paid at stated value, 253 shares	25,300	25,300
Accumulated surplus, per accompanying statement	80,741	84,806
Total shareholders' equity	106,041	110,106
	$ 107,541	111,606

See Accompanying Notes

Approved: Louise Price Director

BMulley Director

DERRICK R. DRODGE
CHARTERED PROFESSIONAL ACCOUNTANT

NEWFOUNDLAND HARDWOODS LIMITED

Statement of Operations and Accumulated Surplus

Year ended March 31, 2015

	2015	2014
Revenue	$ –	–
Administrative expenses:		
Bank charges	44	38
Professional and consulting fees	1,900	1,850
Licences and fees	75	85
Remediation costs	2,046	–
	4,065	1,973
Net loss	(4,065)	(1,973)
Accumulated surplus, beginning of year	84,806	86,779
Accumulated surplus, end of year	$ 80,741	84,806

See Accompanying Notes

DERRICK R. DRODGE
CHARTERED PROFESSIONAL ACCOUNTANT

NEWFOUNDLAND HARDWOODS LIMITED

Statement of Cash Flows

Year ended March 31, 2015

	2015	2014
Cash provided by operating activities:		
Net loss	$ (4,065)	(1,973)
Changes in non-cash working capital balances:		
Harmonized sales tax receivable	(266)	--
Decrease in cash	(4,331)	(1,973)
Cash, beginning of year	111,606	113,579
Cash, end of year	$ 107,275	111,606

See Accompanying Notes

NEWFOUNDLAND HARDWOODS LIMITED

Notes to the Financial Statements

March 31, 2015

1. Nature of operations:

   Newfoundland Hardwoods Limited is a Crown Corporation established in 1950 under the Corporations Act. Initially the Corporation was established for the purpose of manufacturing liquid asphalt and the sale of chemically treated poles and timber. The Corporation sold its property, equipment and inventory in 1996 and ceased active operations at that date. Since 1996 the Corporation has been dealing with any and all matters that may arise subsequent to the sale.

   Newfoundland Hardwoods Limited is classified as a category three entity under the Transparency and Accounting Act.

   Newfoundland Hardwoods Limited is exempt from income taxes under the Income Tax Act.

2. Summary of Significant Accounting Policy:

   These financial statements are prepared by Management in accordance with Canadian Public Sector Accounting Standards for provincial reporting entities established by the Canadian Public Sector Accounting Board.

3. Contingent losses:

   Environmental concerns:

   The Government of Newfoundland and Labrador, through an environmental indemnity, has released the current owner of any and all present and future liabilities which may result from the presence, release, loss, discharge, leakage or spillage of hazardous material on, at or from the properties formerly owned and operated by Newfoundland Hardwoods Limited up to the date of the said agreements.

4. Commitments:

   The company had committed to the dismantling and removal of five surplus storage tanks from the present location. As of the balance sheet date, four of these tanks have been removed and the costs of such have been reflected in these financial statements.

Newfoundland International Student Education Program Inc.
Financial Statements

June 30, 2013

BYRON SMITH
CHARTERED ACCOUNTANT
MANAGEMENT CONSULTANT

BYRON SMITH
CHARTERED ACCOUNTANT
MANAGEMENT CONSULTANT

IYRON D. SMITH, B. Comm., C.F.E., C.A.

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46 Powell Drive
Carbonear, NL
A1Y 1A5
Telephone: (709) 596-2211

INDEPENDANT AUDITORS' REPORT

To the Board Members:
Newfoundland International Student Education Program Inc.

Report on the Financial Statements

I have audited the accompanying financial statements of Newfoundland International Student Educational Program Inc., which comprise the statement of financial position as at June 30, 2013 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 generally accepted accounting principles as established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. It is also management's responsibility to ensure appropriate systems of internal and administrative controls are maintained 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.

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 whether the financial statements are free of material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedure's 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 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 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 the Newfoundland International Student Education Program Inc., as at June 30, 2013 and the results of its operations for the year then ended in accordance with the standards established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants.

March 14, 2014
Spaniard's Bay, NL

Byron Smith
CHARTERED ACCOUNTANT

Newfoundland International Student Education Program Inc.
Statement of Financial Position
June 30,

	2013	2012
FINANCIAL ASSETS		
Due from related party (Note 2)	$ 803,108	$ 744,828
LIABILITIES		
Accounts payable and accruals	$ 2,500	$ 2,500
NET FINANCIAL ASSETS (NET DEBT)	$ 800,608	$ 742,328
NET ASSETS	$ 800,608	$ 742,328

On Behalf of the Board:

_______________ Chair _______________ Treasurer

The accompanying notes are an integral part of these financial statements

BYRON SMITH
CHARTERED ACCOUNTANT
MANAGEMENT CONSULTANT

Newfoundland International Student Education Program Inc.
Statement of Operations
Year Ended June 30,

	2013	2012
Revenue		
Student Fees	$ 175,540	$ 80,100
Operating Expenses		
Professional fees	9,460	21,425
School fees	107,800	43,800
	117,260	65,225
EXCESS OF REVENUE OVER EXPENSES	$ 58,280	$ 14,875

Schedule of Changes to Net Assets

Net assets, beginning of year	$ 742,328	$ 727,453
Excess of revenue over expenses	58,280	14,875
Net assets, end of year	$ 800,608	$ 742,328

The accompanying notes are an integral part of these financial statements

BYRON SMITH
CHARTERED ACCOUNTANT
MANAGEMENT CONSULTANT

Nature of Operations

The Corporation was incorporated under the laws of Newfoundland and Labrador on May 6, 2003.

The Corporation is established for educational purposes to recruit, assist, contract with, and monitor international students in the Intermediate and Secondary schools that fall under the responsibility of the Eastern School District. The Corporation is a non-profit organization and is exempt from income taxes in accordance with section 149(1)(g) of the Income Tax Act.

1. 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) of the Canadian Institute of Chartered Accountants and reflect the following significant accounting policies:

Basis of Accounting

The consolidated financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. 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.

Cash and Cash Equivalents

The Association considers deposits in banks as cash and cash equivalents.

Use of Estimates

The preparation of the Foundation's financial statements in conformity with Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants requires management to make estimates and assumptions that affect the reported amounts of 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 reporting period. Actual results could differ from those estimates.

Basis of Presentation

The Corporation follows the accrual basis of accounting.

2. Due from Related Party

The Corporation does not have a bank account. All cash and cash equivalents are held by a related party, "Eastern School District", in trust.

3. Going Concern

These financial statements have been prepared on a going concern basis which contemplates the realization of assets and payment of liabilities in the ordinary course of business. However, the company has been requested by the Minister of Education for the Province of Newfoundland and Labrador, to wind up its operations effective June 30, 2009. Due to the current nature of the Corporation's assets and liabilities, these can be liquidated in the ordinary course of business at full value. The Corporation was not wound up as at June 30, 2013 due to committments made to existing students.

Grant Thornton

Consolidated Financial Statements

Newfoundland Ocean Enterprises Limited

March 31, 2015

Statement of responsibility

The accompanying consolidated financial statements are the responsibility of the management of the Newfoundland Ocean Enterprises Limited (the "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.

Management has met with 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 finalized Consolidated Financial Statements.

Grant Thornton LLP as the Corporation's appointed external auditors, have audited the consolidated financial statements. The auditor's report is addressed to the Directors of the Corporation 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 Corporation in accordance with Canadian public sector accounting standards.

Director Liane Price Director

Grant Thornton

Independent auditors' report

Grant Thornton LLP
Suite 300
15 International Place
St. John's, NL
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To the Directors of

Newfoundland Ocean Enterprises Limited

We have audited the accompanying financial statements of Newfoundland Ocean Enterprises Limited, which comprise the statement of financial position as at March 31, 2015 and the statements of operations and changes in accumulated surplus, statement of net financial assets and changes in cash flows for the years 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 Corporation'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 Corporation'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

Basis for qualified opinion

The Corporation has not prepared an annual budget as required in accordance with public sector accounting standards.

Qualified opinion

In our opinion, except for the matter described in the Basis of Qualified opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Newfoundland Ocean Enterprises Limited as at March 31, 2015 and its financial performance, net financial assets and its cash flows for the years then ended in accordance with Canadian public sector accounting standards.

Grant Thornton LLP

St. John's, Canada

June 11, 2015

Chartered Accountants

Audit • Tax • Advisory
Grant Thornton LLP. A Canadian Member of Grant Thornton International Ltd

Newfoundland Ocean Enterprises Limited
Consolidated Statement of Financial Position

March 31		2015		(Note 5) 2014
Financial assets				
Cash and cash equivalents	$	22,934	$	28,534
HST receivable		6,380		5,753
		29,314		34,287
Liabilities				
Payables and accruals		5,443		19,790
Net financial assets		23,871		14,497
Accumulated surplus	$	23,871	$	14,497

On behalf of the Board

______________ Director ______________ Director

See accompanying notes to the consolidated financial statements.

Newfoundland Ocean Enterprises Limited

Consolidated Statement of Operations

Year Ended March 31	Actual 2015	Budget 2015	Actual 2014
Revenue			
Interest income	$ 159	$ -	$ 210
Expenses			
Bank charges	316	-	319
Professional fees	4,816	-	7,642
	5,132	-	7,961
Other item			
Debt forgiveness (Note 3)	14,347	-	-
Annual surplus (deficit)	$ 9,374	$ -	$ (7,751)

See accompanying notes to the consolidated financial statements.

Newfoundland Ocean Enterprises Limited
Consolidated Statement of Changes in Accumulated Surplus

Year Ended March 31	Actual 2015	Budget 2015	Actual 2014
Accumulated surplus, beginning of year	$ 14,497	$ -	$ 22,248
Annual surplus (deficit)	9,374	-	(7,751)
Accumulated surplus, end of year	$ 23,871	$ -	$ 14,497

See accompanying notes to the consolidated financial statements.

Newfoundland Ocean Enterprises Limited
Consolidated Statement of Net Financial Assets

Year Ended March 31	Actual 2015	Budget 2015	Actual 2014
Annual surplus (deficit)	$ 9,374	$ -	$ (7,751)
Increase (decrease) in net financial assets	9,374	-	(7,751)
Net financial assets, beginning of year	14,497	-	22,248
Net financial assets, end of year	$ 23,871	$ -	$ 14,497

See accompanying notes to the consolidated financial statements.

Newfoundland Ocean Enterprises Limited
Consolidated Statement of Cash Flows

Year Ended March 31		2015		(Note 5) 2014
Increase (decrease) in cash and cash equivalents				
Operating				
Annual surplus (deficit)	$	9,374	$	(7,751)
Change in non-cash items				
HST receivable		(626)		(946)
Payables and accruals		(14,348)		(206)
Cash used for operating transactions		(5,600)		(8,903)
Decrease in cash and cash equivalents		(5,600)		(8,903)
Cash and cash equivalents, beginning of year		28,534		37,437
Cash and cash equivalents, end of year	$	22,934	$	28,534

See accompanying notes to the consolidated financial statements.

Newfoundland Ocean Enterprises Limited
Notes to the Consolidated Financial Statements
March 31, 2015

1. Operations

Newfoundland Ocean Enterprises Limited ceased active operations on January 1, 1998.

2. Summary of significant accounting policies

Basis of presentation

The consolidated 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 Professional Accountants and reflect the following significant accounting policies.

Principles of consolidation

The consolidated financial statements include the accounts of Newfoundland Ocean Enterprises Limited, its wholly owned subsidiaries Marystown Shipyard Limited, Vinland Industries Limited, and Vinland Industries, a Limited Partnership.

Use of estimates

In preparing the Corporation's consolidated 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 consolidated financial statements and the reported amounts of revenues and expenses during the period.

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. Actual results could differ from these estimates.

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. Bank borrowings are considered to be financing activities.

Financial instruments

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

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

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

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

The Corporation 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 Corporation 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 amortized cost include cash and cash equivalents.

Financial liabilities measured at cost include payables and accruals.

The Corporation 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.

3. Debt forgiveness

The debt forgiveness relates to the write off of the payable to the Department of Business, Tourism, Culture and Rural Development as approved by the Board.

4. Financial instruments

The Corporation's financial instruments consist of cash and cash equivalents and payables and accruals. The book value of cash and cash equivalents and payables and accruals approximate fair value due to their short term maturity date.

Risks and concentrations

The Corporation is exposed to various risks through its financial instruments. The following analysis provides a measure of the Corporation's risk exposure and concentrations at March 31, 2015.

4. Financial instruments (cont'd.)

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Corporation is exposed to this risk mainly in respect of its payables and accruals. The Corporation 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 Corporation is low and not material.

5. Comparative figures

The comparative figures have been restated to conform with the financial statement presentation adopted for the current year.

Grant Thornton

Financial Statements

Newvest Realty Corporation

December 31, 2014

Grant Thornton

Independent Auditor's Report

Grant Thornton LLP
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To the Shareholders of
Newvest Realty Corporation

We have audited the accompanying financial statements of **Newvest Realty Corporation** which comprise the statement of financial position as at December 31, 2014, and the statements of income and comprehensive income, changes in shareholders' equity 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

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 **Newvest Realty Corporation** as at December 31, 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Grant Thornton LLP

Toronto, Ontario
May 19, 2015

Chartered Accountants
Licensed Public Accountants

Newvest Realty Corporation
Statement of Financial Position

December 31,		2014 (000's)		2013 (000's)
Assets				
Non-current				
Investment properties (Note 6)	$	370,751	$	349,164
Current				
Accounts receivable		322		507
Prepaid expenses		157		314
Cash and cash equivalents		5,348		5,208
Current assets related to discontinued operations (Note 7)		-		24
		5,827		6,053
Total assets	$	376,578	$	355,217
Liabilities				
Non-current				
Mortgages payable (Note 8)	$	113,697	$	109,676
Current				
Mortgages payable (Note 8)		3,797		3,474
Accounts payable and accrued liabilities		5,099		6,033
Current liabilities related to discontinued operations (Note 7)		-		53
		8,896		9,560
Total liabilities		122,593		119,236
Equity		253,985		235,981
Total liabilities and equity	$	376,578	$	355,217

Contingency (Note 17)
Subsequent event (Note 18)

Approved on behalf of the Board

_______________ Director _______________ Director

Newvest Realty Corporation

Statements of Income and Comprehensive Income

Year Ended December 31		2014 (000's)		2013 (000's)
Revenue				
Rental income (Note 11)	$	20,716	$	20,476
Expense recoveries from tenants		10,922		11,107
Interest income		57		56
		31,695		31,639
Expenses				
Property operating costs (Note 12)		12,441		12,314
Mortgage interest		5,129		5,445
Asset management fees (Note 13)		863		876
Administrative costs		137		174
Participation fees (Note 13)		89		1,720
		18,659		20,529
Income from continuing operations		13,036		11,110
Gain on sale of investment properties		661		(1)
Gain on disposition of mortgage payable		185		-
(Decrease) increase in fair value of investment properties (Note 6)		(1,761)		5,991
Income and comprehensive income from continuing operations		12,121		17,100
(Loss) income and comprehensive (loss) income from discontinued operations (Note 7)		(27)		1,469
Net income and comprehensive income	$	12,094	$	18,569

Newvest Realty Corporation
Statement of Changes in Shareholders' Equity

		Share Capital (Note 10) (000's)		Retained Earnings (000's)		Total (000's)
Equity, January 1, 2013	$	164,351	$	62,783	$	227,134
Changes during the year						
Net income and comprehensive income		-		18,569		18,569
Dividends paid (Note 9)		-		(14,810)		(14,810)
Issuance of common shares		9,478		-		9,478
Cancellation of common shares		(4,390)		-		(4,390)
Equity, December 31, 2013		169,439		66,542		235,981
Changes during the year						
Net income and comprehensive income		-		12,094		12,094
Dividends paid (Note 9)		-		(9,530)		(9,530)
Issuance of common shares		18,000		-		18,000
Cancellation of common shares		(2,560)		-		(2,560)
Equity, December 31, 2014	$	184,879	$	69,106	$	253,985

Newvest Realty Corporation
Statement of Cash Flows

Year Ended December 31	2014 (000's)	2013 (000's)
Increase (decrease) in cash and cash equivalents		
Operating activities		
Income and comprehensive income from continuing operations	$ 12,121	$ 17,100
Adjustments to reconcile income to net cash flows		
Amortization of tenant inducements	332	229
Mortgage interest	5,129	5,445
(Gain) loss on sale of investment properties	(661)	1
Gain on disposition of mortgage payable	(185)	-
Decrease (increase) in fair value of investment properties	1,761	(5,991)
Amortization of straight-line rent	82	(84)
Net changes in non-cash operating items		
Accounts receivable	185	18
Prepaid expenses	157	2,767
Accounts payables and accrued liabilities	(875)	224
Cash and cash equivalents provided by operating activities	18,046	19,709
Financing activities		
Issuance of common shares	18,000	9,478
Dividends paid	(9,530)	(5,600)
Issuance of mortgage payable	25,645	15,190
Repayment of mortgage payable	(20,922)	(3,253)
Interest paid	(5,446)	(5,654)
Deferred financing costs	(120)	(20)
Cancellation of common shares	(2,560)	-
Cash and cash equivalents provided by financing activities	5,067	10,141
Investing activity		
Acquisition of investment properties	(29,546)	(27,358)
Additions to investment properties	(2,416)	(2,157)
Proceeds from disposition of investment properties	9,045	-
Cash and cash equivalents used in investing activities	(22,917)	(29,515)
Net increase in cash and cash equivalents from continuing operations	196	335
Net (decrease) increase in cash and cash equivalents from discontinued operations (Note 7)	(56)	179
Cash and cash equivalents, beginning of year	5,208	4,694
Cash and cash equivalents, end of year	$ 5,348	$ 5,208

1. Nature of operations

Newvest Realty Corporation (the "Corporation") was incorporated on August 9, 2001 under the Canada Business Corporations Act. It is also registered under the Corporations Act of the Province of Newfoundland and Labrador. The Corporation has its headquarters in Toronto, Ontario. All shares of the corporation are held by the Province of Newfoundland and Labrador Pooled Pension Fund (the "Fund"). Board members are appointed by the Pension Investment Committee of the Fund. The purpose of the Corporation is to invest monies received from the Fund in Canadian investment property.

Shareholders are required to be in compliance with Section 149(1) of the Income Tax Act (Canada) for the Corporation to qualify as a tax exempt corporation. Accordingly, no provision for income taxes has been made in these financial statements.

The Corporation has an Investment Services Agreement with Bentall Kennedy (Canada) Limited Partnership ("Bentall Kennedy") dated 30 June 2001 and an Amended And Restated Investment Services Agreement dated November 25, 2013 under which Bentall Kennedy is responsible for the acquisition, disposal, leasing and management of real estate properties and performance of all administrative functions on behalf of the Corporation.

2. General information and statement of compliance with IFRS

The financial statements of the Corporation have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The financial statements are presented in Canadian dollars, which is the Corporation's functional currency.

These financial statements for the year ended December 31, 2014 (including comparatives) were approved and authorized for issue by a designate of the Directors on May 19, 2015.

3. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

Investment properties

Investment properties include retail and commercial properties held to earn rental income and for capital appreciation.

Investment properties acquired as an asset acquisition are recorded initially at cost including transaction costs. Transaction costs include transfer taxes, professional fees for legal services and initial leasing commissions to bring the property to the condition necessary for it to be capable of operating.

3. Summary of significant accounting policies (continued)

Investment properties (continued)

Subsequent to initial recognition, investment properties are recorded at fair value. The changes in fair value for each reporting period are recognized in the statements of income and comprehensive income. In order to avoid double accounting, the carrying value of investment properties includes straight-line rent receivable, tenant incentives, long term replacement items and direct leasing costs, since these amounts are incorporated in the appraised values of the real estate properties. Fair value is based upon valuations performed by an appraiser accredited through the Appraisal Institute of Canada, using recognized valuation techniques including the direct capitalization income and discounted cash flow methods unless the property was acquired in the year and only then would the cost be applied as the fair value. Recent real estate transactions with similar characteristics and location to the Corporation's assets are also considered. The direct capitalization income method applies a capitalization rate of the property's stabilized net operating income which incorporates allowances for vacancy, management fees and structural reserves for capital expenditures for the property. The resulting capitalized value is further adjusted, where appropriate, for extraordinary costs to stabilize the income and non recoverable capital expenditures.

Subsequent expenditures are capitalized to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Corporation and the cost of the item can be measured reliably. Such costs include site preparation costs, which are incurred to improve the condition of a space to enhance its leaseability, and capital expenditures. All other repairs and maintenance costs are expensed when incurred.

Investment properties are derecognized when they have been disposed.

Leasing costs

Leasing costs are costs incurred by the Corporation to induce a tenant to enter into a lease for space in the properties. Leasing costs consist of five categories of costs, with accounting treatments as follows:

(i) Leasing commissions
Leasing commissions are incurred by the lessor in the negotiation and execution of leasing transactions. These costs are capitalized to investment properties and are considered in the fair value adjustment of the investment properties.

(ii) Tenant improvements
Tenant improvements are costs incurred to make leasehold improvements to the tenants' space. The costs are capitalized to investment properties and are considered in the determination of the fair value of the property.

(iii) Tenant incentives
Tenant incentives include cash payments, the buy-out of previous lease obligations, and payment of moving expenses. Tenant incentives are recognized as a receivable and amortized as a reduction of rental revenue over the initial term of the related leases.

3. Summary of significant accounting policies (continued)

Leasing costs (continued)

(iv) Rent free or lower than market rate rents
Incentives in the form of free rent or lower than market rate rent form part of the straight-line rent adjustments. The accounting of straight-line rents is described in the revenue recognition policy.

(v) Marketing costs
Marketing costs include advertising, space plans, credit checks and promotion costs. These costs are expensed as incurred in 'property operating costs'.

Revenue recognition

The Corporation has retained substantially all of the risks and benefits of ownership of its investment properties and therefore accounts for leases with its tenants as operating leases. Revenue from properties includes rents from tenants under leases, percentage participation rents, property tax and operating cost recoveries, lease cancellation fees, leasing concessions, parking income and incidental income.

Revenue from investment properties recorded in the statement of income and comprehensive income during free rent periods represents future cash receipts and is reflected on the statement of financial position in the carrying value of investment properties and recognized in the statement of income on a straight-line basis over the initial term of the lease. The Corporation also accounts for stepped rents on a straight-line basis. Rents recorded in advance of cash received are included in investment properties.

Percentage participation rents are accrued based on sales estimates submitted by tenants if the tenant anticipates attaining the minimum sales level stipulated in the tenant lease.

Recoveries of operating expenses are recognized as revenues in the period in which the corresponding costs are incurred and collectability is reasonably assured. Other rental income is recognized as revenue in the period earned and collectability is reasonably assured.

Provisions

A provision is a liability of uncertain timing or amount. Provisions are recognized when the Corporation has a present legal or constructive obligation as a result of past events. It is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are measured at the present value for the expenditures expected to be required to settle the obligation using a discount rate that reflects current market assessment of the time value of money and the risks specific to the obligation. Provisions are re-measured at each statement of financial position date using the current discount rate. The increase in the provision due to passage of time is recognized as interest expense.

3. Summary of significant accounting policies (continued)

Property operating costs

Property and operating expenses are recognized in the statement of income upon utilization of the service or at the date of their origin.

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, net of bank overdrafts.

Participation fee

Under the terms of the Investment Services Agreement, the property manager Bentall Kennedy is entitled to a fee. The participation fee calculation is based on the Corporation's performance as it relates to a preset hurdle formula and changes in market value of investment properties.

Financing costs

Deferred finance costs are being amortized over the term of the respective credit facility and are netted against the related financial liability.

Assets held for sale and discontinued operations

Assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. Amounts related to the disposal of non-current assets are classified as "Assets held for sale" or "assets related to discontinued operations, and the results of operations and cash flows associated with the assets disposed are reported separately as assets held for sale or discontinued operation. A non-current asset is classified as an "Asset held for sale" at the point in time when it is available for immediate sale, management has committed to a plan to sell the asset and is actively seeking a buyer for the asset at a sales price that is reasonable in relation to the current fair value of the asset, and the sale is probable and is expected to be completed with a one-year period.

A discontinued operation is a component of an entity that either has been disposed of, or is classified as held for sale, and

(a) represents a separate major line of business or geographical area of operations
(b) is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
(c) is a subsidiary acquired exclusively with a view to resale.

The component will have been a cash-generating unit ("CGU") or group of CGUs while being held for use. Profits and gains or losses generated from the disposal of discontinued operations are measured based on fair value less cost to sell, except for investment property which is valued at fair value and are presented in the financial statements in accordance with IRFS 5. Comparative figures are restated to reflect retrospective application of discontinued operations.

3. Summary of significant accounting policies (continued)

Financial instruments and fair values

(i) Financial assets
The Corporation's financial assets that are categorized as fair value through profit or loss consist of cash and cash equivalents. The Corporation's financial assets that are categorized as loans and receivables consist of accounts receivable.

When financial assets are initially recognized they are measured at fair value. After initial recognition, the Corporation's financial assets that are classified as loans and receivables are measured at amortized cost. Financial assets are derecognized only when the contractual rights to the cash flows from the financial asset expire or the Corporation transfers substantially all risks and rewards of ownership.

The Corporation assesses at each statement of financial position date whether there is objective evidence that a financial asset is impaired. If there is objective evidence, such as significant financial difficulty of the obligor, breach of contract, or it becomes probable that the debtor will enter bankruptcy, the asset is tested for impairment. The amount of the loss is measured as the difference between the assets carrying amount and the estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognized in the statement of income and comprehensive income.

In relation to accounts receivable, a provision for impairment is made when there is objective evidence, such as the probability of insolvency or significant financial difficulties of the debtor, that the Corporation will not be able to collect all of the amounts due. Impaired debts are derecognized when they are assessed as uncollectible.

If in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date. Any subsequent reversal of an impairment loss is recognized in the statement of income and comprehensive income.

(ii) Financial liabilities
Financial liabilities are classified as fair value through profit or loss, or as other financial liabilities.

Other financial liabilities consist of payables and accruals and mortgages payable and are recognized initially at fair value and subsequently at amortized cost.

All loans and long term debt are classified as other financial liabilities within the scope of IAS 39. Initial recognition is at fair value. After initial recognition, interest-bearing loans and long term debt are measured at amortized cost using the effective interest method.

Direct transaction costs that are attributable to the issuance of financial liabilities are presented as a reduction from the carrying amount of the related debt and are amortized using the effective interest method over the term of the related debt. These costs include fees and commissions paid to agents, brokers and advisors that are incurred in connection with the arrangement of borrowings.

3. Summary of significant accounting policies (continued)

Financial instruments and fair values (continued)

(ii) Financial liabilities (continued)
A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires.

(iii) Fair value
Fair value measurements recognized in the statement of financial position are categorized using a fair value hierarchy that reflects the significance of inputs used in determining the fair values. Each type of fair value is categorized based on the lowest level input that is significant to the fair value measurement in its entirety. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The fair value hierarchy for measurement of assets and liabilities is as follows:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3 - Inputs for the asset or liability that are not based on observable market data.

The carrying value of accounts receivable, payables and accruals are assumed to approximate their fair values because of the short period of time until the receipt or payment of cash.

Cash and cash equivalents are classified as level 1.

Mortgages payable is classified as level 2.

Investment properties are classified as level 3.

Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience as adjusted for current market conditions and other factors.

Critical accounting estimates and assumptions

Management makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

In determining estimates of fair market value and net realizable values for its investment properties, the assumptions underlying estimated values are limited by the availability of comparable data and the uncertainty of predictions concerning future events. Should the underlying assumptions change, actual results could differ from the estimated amounts.

3. Summary of significant accounting policies (continued)

Critical accounting estimates and assumptions (continued)

The market values for investment properties reflected as at December 31, 2014 and December 31, 2013 agree to the valuations as reported by independent professional appraisers. For valuations performed more than 3 months before year end, an internal appraisal is performed as at year end and the market value is updated if appropriate. This judgement is based on management's review of changes in various metrics from the last external appraisal to December 31st including:

(i) Property tenancies
(ii) Market rents
(iii) Market terminal capitalization rates
(iv) Discount rates
(v) Direct capitalization rates
(vi) Economic environment and market conditions
(vii) Market activity

The critical estimates and assumptions underlying the valuation of the investment properties are outlined in note 6.

Critical judgments in applying accounting policies

The following are the critical judgments that have been made in applying the Corporation's accounting policies and that have the most significant effect on the amounts in the financial statements.

The Corporation makes judgements in determining whether certain leases, in particular those leases with long contractual terms where the lessee is the sole tenant in a property, are operating or finance leases. The Corporation has determined that all of its leases are operating leases.

In addition, the Corporation makes judgements in determining whether improvements provided to tenants as part of the tenant's lease agreement represent a capital expenditure or an incentive.

The preparation of the financial statements 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 reported amounts of revenue and expenses during the reporting periods.

In determining estimates of fair market value and net realizable values for its investment properties, the assumptions underlying estimated values are limited by the availability of comparable data and the uncertainty of predictions concerning future events. Should the underlying assumptions change, actual results could differ from the estimated amounts.

In addition, the computation of cost reimbursements from tenants for realty taxes, insurance and common area maintenance charges is complex and involves a number of estimates, including the interpretation of terms and other tenant lease provisions. Tenant leases are not consistent in dealing with such cost reimbursements, and variations in computations can exist.

3. Summary of significant accounting policies (continued)

Critical judgments in applying accounting policies (continued)

Adjustments are made throughout the year to these cost recovery revenues based upon the Company's best estimate of the final amounts to be billed and collected.

4. Adoption of accounting standards in the current year

The following new and mandatory IFRS standard was adopted by the Corporation effective January 1, 2014:

IFRIC 21, 'Levies'

In May 2013 IFRIC 21 was issued. IFRIC 21 addresses various accounting issues relating to levies imposed by a government. This interpretation was effective for annual periods beginning on or after January 1, 2014 and is applied retrospectively. The implementation of IFRIC 21 did not have an impact on the Corporation.

5. Future accounting policy changes

The following new and mandatory IFRS standards have been issued and will be effective for accounting periods beginning on or after January 1, 2017 and are expected to be relevant to the Corporation:

IFRS 9, 'Financial instruments: Classification and measurement'

IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010 and further amended in November 2013. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The standard also results in one impairment method replacing the numerous impairment methods in IAS 39 that arise from the different classification categories. The Corporation is yet to assess IFRS 9's full impact and does not intend to early adopt IFRS 9 (2009), IFRS 9 (2010), or IFRS 9 (2013) in its financial statements for the annual period beginning on January 1, 2015.

IFRS 11, 'Joint Arrangements'

The IASB published amendments to IFRS 11 Joint Arrangements which provide guidance on accounting for the acquisition of an interest in a joint operation in which the activity of the joint operation constitutes a business. The amendments state that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a business, as defined in IFRS 3 Business Combinations, should apply all of the principles on business combinations accounting in IFRS 3 and other IFRSs apart from principles that conflict with the guidance of IFRS 11. This requirement also applies to the acquisition of additional interests in an existing joint operation and to the acquisition of an interest in a joint operation on its formation; and

5. Future accounting policy changes (continued)

IFRS 11, 'Joint Arrangements' (continued)

provide disclosures for business combinations as required by IFRS 3 and other IFRSs. Additionally, consequential amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards have been made so that IFRS 1's exemption for past business combinations can also apply to past acquisitions of interests in joint operations in which the activity of the joint operation constitutes a business. The standard is effective for annual periods beginning on or after January 1, 2016, however, earlier adoption is permitted. The Corporation is in the process of assessing the impact of IFRS 11 on its financial statements.

IFRS 15, 'Revenue from Contracts with Customers'

In May 2014, the International Accounting Standards board issued IFRS 15, Revenue from Contracts with Customers ("IFRS 15"). The new standard provides a comprehensive framework for recognition, measurement and disclosure of revenue from contracts with customers, excluding contracts within the scope of the standard on leases, insurance contracts and financial instruments. IFRS becomes effective for annual periods beginning on or after January 1, 2017, and is to be applied retrospectively. Early adoption is permitted. All material revenues earned by the Corporation fall within the scope of the standard on leases; therefore it is not expected that IFRS 15 will have a significant impact on the Corporation.

IAS 27, Separate Financial Statements ("IAS 27")

The IASB published narrow scope amendments to IAS 27 Separate Financial Statements which allow entities to use the equity method to account for investments in subsidiaries, joint ventures, and associates in their separate financial statements. As a result of the amendments, in their separate financial statements, entities will have an accounting policy choice between accounting for their investments in subsidiaries, joint ventures and associates: at cost; in accordance with IFRS 9 Financial Instruments (or IAS 39 Financial Instruments: Recognition and Measurement); or under the equity method (in accordance with IAS 28 Investments in Associates and Joint Ventures). Entities are required to apply the same accounting policy for each category of investments. The standard is effective for annual periods beginning on or after January 1, 2016, however, earlier adoption is permitted. The Corporation is in the process of assessing the impact of IAS 27 on its financial statements.

There are no other new and mandatory IFRS standards, amendments or interpretations that have been issued and will be effective for accounting periods on or after January 1, 2015 that are expected to be relevant to the Corporation.

6. Investment properties

	2014 (000's)	2013 (000's)
Balance, beginning of year	$ 349,164	$ 312,306
Additions:		
Acquisition	29,546	28,858
Capital expenditure/capitalized costs	1,306	814
Tenant inducements and commissions	1,110	1,340
Amortization of tenant inducements	(332)	(229)
Stepped rent	(82)	84
Disposals	(8,200)	-
(Decrease) increase in fair value of investment properties	(1,761)	5,991
Balance, end of year	$ 370,751	$ 349,164

For financial reporting periods December 31, 2014 and December 31, 2013, the Corporation has the investment properties appraised in accordance with their appraisal policy which requires that properties be appraised at least once every year by professionally qualified independent appraisers. The external appraisals are completed at the end of a six month period on approximately one half of the Corporation's portfolio. The properties that are not externally appraised during each six month period are appraised by Bentall Kennedy.

	2014 Market Value (000's)	2013 Market Value (000's)
a) Park and Tilford Shopping Centre, North Vancouver, British Columbia	$ 66,000	$ 65,000
b) TD Creekside Corporate Centre (50% interest), Mississauga, Ontario	40,550	40,250
c) Centre 5735, Calgary, Alberta	-	8,200
d) 4500 Cousens Road, St. Laurent, Quebec	6,450	5,700
e) 4500 Chemin Bois Franc, St. Laurent, Quebec	4,950	4,900
f) Faubourg Bois Franc, St. Laurent, Quebec	15,100	15,900
g) Vintage Park, Calgary, Alberta	20,600	19,000
h) 10201 Jasper Avenue (20% interest), Edmonton, Alberta	9,120	11,480
i) 10303 Jasper Avenue, (20% interest), Edmonton, Alberta	31,000	32,400

6. Investment properties (continued)

j) 10 Dundas Street East, (15% interest), Toronto, Ontario	**38,970**	38,310
k) Kaplan Industrial Portfolio, Montreal, Quebec	**25,190**	25,165
l) 550 Burrard Street, (12.5% interest), Vancouver, British Columbia	**54,375**	54,000
m) Argentia Industrial Portfolio, Mississauga, Ontario	**28,900**	28,859
n) Westside Market Place, Waterloo, Ontario	**29,546**	-
	$ 370,751	$ 349,164

The Corporation determined the fair value of each investment property based upon, among other things, rental income from current leases and assumptions about rental income from future leases reflecting market conditions at the applicable statement of financial position dates, less future cash outflow pertaining to the respective leases. The properties are appraised using a number of approaches that typically include a discounted cash flow analysis, a direct capitalization income method and a direct comparison approach. The discounted cash flow analysis is primarily based on discounting the expected future cash flows, generally over a term of 10 years including a terminal value based on the application of a capitalization rate to estimated year 11 cash flows.

The significant assumptions made relating to valuations of investment properties using discounted cash flow analysis and direct capitalization income method were:

	2014	2013
Maximum capitalization rate	**7.25%**	7.25%
Minimum capitalization rate	**4.75%**	4.75%
Weighted average capitalization rate	**5.84%**	5.77%

Included in investment properties is $2,046,919 (2013 - $2,129,016) of net straight-line rent arising from the recognition of rental revenue. The Corporation sold Centre 5735 for proceeds of $9,046,000 which has been shown in investment properties as part of their commercial; portfolio in Calgary, Alberta.

7. Discontinued operations

On December 19, 2013, the Corporation completed the sale of Bayview Chateau and White Rock Gardens which represented their residential portfolio for gross proceeds of $18 million and related selling costs of $608,565.

7. Discontinued operations (continued)

Statement of financial position

	2014 (000's)	2013 (000's)
Assets		
Current		
Accounts receivable	$ -	$ 15
Prepaid expenses	-	9
	-	24
Total assets	$ -	$ 24
Liabilities		
Current		
Accounts payable	$ -	$ 53
Total liabilities	$ -	$ 53

Statements of income and comprehensive income

	2014 (000's)	2013 (000's)
Rental income	$ 1	$ 1,054
Property operating costs	(1)	(568)
Net operating income	-	486
Mortgage interest	(27)	(135)
Net property income	(27)	351
Gain on sale of investment properties	-	1,118
Net (loss) income and comprehensive (loss) income from discontinued operations	$ (27)	$ 1,469

7. Discontinued operations (continued)

Statement of cash flow

	2014 (000's)	2013 (000's)
Operating activities		
Income and comprehensive income from discontinued operations	$ (27)	$ 1,469
Adjustments to reconcile income to net cash flows		
Mortgage interest	-	135
Gain on sale of investment properties	-	(1,118)
Net changes in non-cash operating items		
Accounts receivable	15	(10)
Prepaid expenses	9	1
Payables and accruals	(53)	(49)
Cash and cash equivalents (used in) provided by operating activities	(56)	428
Financing activities		
Dividends paid	-	(9,210)
Repayment of mortgage payable	-	(3,821)
Interest paid	-	(145)
Cancellation of common shares	-	(4,390)
Cash and cash equivalents used in financing activities	-	(17,566)
Investing activities		
Additions to investment properties	-	(74)
Proceeds from disposition of investment properties	-	17,391
Cash and cash equivalents provided by investing activities	-	17,317
Net (decrease) increase in cash and cash equivalents from discontinued operations	$ (56)	$ 179

8. Mortgages payable

	2014 (000's)	2013 (000's)
(a) Park and Tilford Shopping Centre, North Vancouver, British Columbia. Mortgage, held by The Great-West Life Assurance Company, repayable in monthly installments of $131,657, including interest calculated at a rate of 5.215% per annum, maturing 1 September 2020, secured by a first mortgage on freehold land and improvements, a first-ranking general assignment of leases and/or rents, first ranking specific assignments, and a security agreement.	$ 15,535	$ 16,292

8. Mortgages payable (continued)

	2014 (000's)	2013 (000's)
(b) TD Creekside Corporate Centre, Mississauga, Ontario. Mortgage (50% interest), held by Metropolitan Life Insurance Company, repayable in monthly Installments of $115,194, including interest calculated at a rate of 5.71% per annum, maturing 1 July 2014, secured by a freehold first mortgage and charge on the property, a general security agreement, a first general assignment of rents, a first specific assignment of a tenant lease.	-	14,308
(c) TD Creekside Corporate Centre, Mississauga, Ontario. Mortgage (50% interest), held by Sun Life Assurance Company of Canada, repayable in monthly Installments of $67,409, including interest calculated at a rate of 3.16% per annum, maturing 1 August 2019, secured by a freehold first mortgage and charge on the property, a general security agreement, a first general assignment of rents, a first specific assignment of a tenant lease.	13,876	-
(d) Centre 5735, Calgary, Alberta. Mortgage, held by Equitable Life, repayable in monthly installments of $26,630, including interest at a rate of 5.28% per annum, maturing 1 December 2016, secured by a mortgage and charge on the property, and a general security agreement.	-	3,724
(e) Faubourg Bois Franc, St. Laurent, Québec. Mortgage, held by CIBC Mortgages Inc., repayable in monthly installments of $57,238, including interest calculated at a rate of 5.00% per annum, maturing 1 September 2017, secured by a first hypothec for registration against title to the properties in the amount of $10,725,000, a general immovable hypothec of rents being a first priority interest in rents payable and the insurance indemnities on such rents, a movable hypothec of the lease(s), and a movable hypothec in the amount of $10,725,000 being a first priority interest in all present and future personal or movable property corporeal or incorporeal of the Borrower.	9,367	9,584
(f) 10201 Jasper Avenue, Edmonton, Alberta. Mortgage (20% interest), held by the Standard Life Assurance Company of Canada, repayable in monthly installments of $33,491, including interest calculated at a rate of 6.50% per annum, maturing 1 July 2019, secured by a first mortgage, the general assignment of rents and leases, a specific assignment of leases and a general security agreement.	4,476	4,587
(g) 10303 Jasper Avenue, Edmonton, Alberta. Mortgage (20% interest), held by The Great-West Life Assurance Company, two mortgages: the first repayable in monthly installments of $29,835, including interest calculated at a		

8. Mortgages payable (continued)

	2014 (000's)	2013 (000's)
rate of 4.159% per annum, maturing 31 December 2017; the second, an interest payment only mortgage, with monthly interest payments of $25,919 calculated at a rate of 5.639% per annum, maturing 31 December 2017. The first mortgage is secured by a pari-passue first mortgage on freehold land and improvements, first ranking general assignment of leases and/or rents of the lands, assignments of leases including specific assignment of major tenant leases.	10,605	10,752
(h) 10 Dundas Street East, Toronto, Ontario. Mortgage (15% interest), held by CDPQ Mortgage Investment Corporation, repayable in monthly installments of $96,226, including interest calculated at a rate of 5.344% per annum, maturing 1 April 2021; secured by a first mortgage, the general assignment of rents and leases, a specific assignment of leases and a general security agreement.	13,539	13,966
(i) 550 Burrard Street, Vancouver, British Columbia. Mortgage (12.5% interest), held by Royal Bank of Canada, repayable in monthly installments of $132,432, including interest calculated at a rate of 4.044% per annum, maturing 1 June 2022; secured by a first mortgage, the general assignment of rents and leases, a specific assignment of leases and a general security agreement.	23,529	24,161
(j) 2875, 2885, 2895, 2905 and 2915 Argentia Road, Mississauga, Ontario. Mortgage, held by The Great-West Life Assurance Company, repayable in monthly installments of $104,987, including interest calculated at a rate of 5.623% per annum, maturing 1 January 2018; secured by a first mortgage, the general assignment of rents and a general security agreement.	14,351	14,800
(k) 652, 658, 662, 664 & 668 Erb Street West, Waterloo, Ontario. Mortgage, held by The Manulife Financial, repayable in monthly installments of $63,775, including interest calculated at a rate of 3.90% per annum, maturing 1 December 2022; secured by a first mortgage, the general assignment of rents and a general security agreement.	11,619	-
	116,897	112,174
Add: fair value adjustments (a)	900	1,200
Less: deferred financing costs	(303)	(224)
Mortgage payables	117,494	113,150
Less: current portion	(3,797)	(3,474)
Long-term portion	$ 113,697	$ 109,676

8. Mortgages payable (continued)

(a) Mortgages assumed on the acquisition of the Argentia Industrial Portfolio and Westside Market Place have been adjusted to fair value by discounting the future cash flows of the debt using the market rate of interest in effect at the time of acquisition. The Corporation is of the opinion that the rate used corresponds to that which they would have been able to obtain for loan with similar maturity date and term. This fair value debt adjustment is amortized to mortgage interest expense over the remaining life of the debt.

The mortgages payable are secured by certain real property, bear interest at rates ranging from 3.16% to 6.50% and are payable as follows:

		(000's)
2015	$	3,552
2016		3,749
2017		22,699
2018		15,964
2019		18,922
Thereafter		52,011
	$	116,897

9. Dividends paid

Dividends are payable on a resolution of the Board to the holder of common shares on a quarterly basis based on the net income for the quarter, less reasonable reserves as determined by Bentall Kennedy.

10. Share capital

Authorized:

Unlimited number of common shares without par value.

	2014			2013		
	Number (000's)		Amount (000's)	Number (000's)		Amount (000's)
Opening balance	16,944	$	169,439	16,435	$	164,351
Purchase of shares for cancellation	(256)		(2,560)	(439)		(4,390)
Issuance of new shares	1,800		18,000	948		9,478
	18,488	$	184,879	16,944	$	169,439

The common shares have a dividend equal to the annual net cash flow of the Corporation derived from real property and all other investments as defined. On November 10, 2014, the Corporation redeemed for cancellation 256,000 common shares as a result of the sale of Centre 5735. On December 18, 2014, the Corporation issued 1,800,000 common shares for $10 per share to fund the acquisition of the Westside Market Place.

11. Rental income

	2014 (000's)	2013 (000's)
Rents charged:		
Base rent	$ 19,591	$ 19,146
Lease cancellation fees	23	101
Fees and other income	1,516	1,374
	21,130	20,621
Adjustments to rental revenue:		
Amortization of tenant inducements	(332)	(229)
Straight-line rent adjustments	(82)	84
	$ 20,716	$ 20,476

The future aggregate minimum rentals receivable under non-cancellable operating leases are as follows:

	2014 (000's)	2013 (000's)
Not later than 1 year	$ 19,816	$ 18,744
Later than 1 year and not longer than 5 years	57,473	59,207
Later than 5 years	19,815	22,645
Total	$ 97,104	$ 100,596

The Corporation leases out its investment properties under operating leases with terms ranging from five years to fifteen years.

12. Property operating costs

Property operating costs consist of:

	2014 (000's)	2013 (000's)
Elevator, HVAC and plumbing	$ 390	$ 384
Exterior grounds	729	719
General administrative	637	622
Insurance	206	199
Janitorial	540	536
Management fees	887	885
Miscellaneous	42	129
Non-recoverable property expenses	788	501
Parking lot	257	399
Property taxes	5,919	5,835
Repairs and maintenance	354	460
Security	417	422
Utilities	1,275	1,223
	$ 12,441	$ 12,314

13. Related party transactions

During the year, charges of $2,160,460 (2013 - $3,954,701) were incurred for services from Bentall Kennedy, a related party, in accordance with the management contract. These amounts are incurred in the normal course of business and are measured at the amount of consideration established and agreed to by the related parties.

These amounts are charged in these financial statements to investment properties, operating expenses, asset management fees and participation fees.

14. Management of capital

The Corporation defines capital that it manages as the aggregate of its shareholders' equity and debt less cash and cash equivalents. The Corporation's objective when managing capital is to ensure that the Corporation will continue as a going concern so that it can sustain daily operations and provide adequate returns to its shareholders.

The Corporation is subject to risks associated with debt financing, including the possibility that existing mortgages may not be refinanced or may not be refinanced on a favourable terms or with interest rates as favourable as those of the existing debt. The Corporation manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets.

The total managed capital for the Corporation as at December 31, 2014 and December 31, 2013, is summarized below:

	2014 (000's)	2013 (000's)
Mortgages payable	$ 116,897	$ 112,174
Cash and cash equivalents	(5,348)	(5,208)
Net debt	111,549	106,966
Equity	253,985	235,981
Total managed capital	$ 365,534	$ 342,947

15. Investments in joint operations

The Corporation's interests in the following properties are subject to joint control and, accordingly, the Corporation has recorded its share of the assets, liabilities, revenue and expenses of the properties in these financial statements:

15. Investments in joint operations (continued)

Name of property	Principal activity	Principal place of business	Proportion of ownership interest and voting rights held by the Corporation 2014	2013
Enbridge Tower	Income producing property	Edmonton	**20.0%**	20.0%
Canadian Western Bank Place	Income producing property	Edmonton	**20.0%**	20.0%
TD Creekside	Income producing property	Mississauga	**50.0%**	50.0%
10 Dundas Street East	Income producing property	Toronto	**15.0%**	15.0%
550 Burrard Street	Income producing property	Vancouver	**12.5%**	12.5%

16. Financial instruments and risk management

The Corporation's financial assets and liabilities are comprised of accounts receivable, cash and cash equivalents, mortgages payable, accounts payables and accrued liabilities, dividends payable and security deposits. Fair values of financial assets and liabilities and discussion of risks associated with financial assets and liabilities are presented as follows:

Fair value of financial assets and liabilities

The fair values of accounts receivable, cash and cash equivalents, security deposits and accounts payables and accrued liabilities, approximate their carrying value due to the short-term maturity of those instruments. The fair values of mortgages payable are based on the current market conditions for financing loans with similar terms and risks.

The fair value of the mortgages payable has been determined by discounting the cash flows of these financial obligations using December 31, 2014 market rates for debts of similar terms (Category Level 2). Based on these assumptions, the fair value of the mortgages payable is estimated at:

16. Financial instruments and risk management (continued)

Fair value of financial assets and liabilities (continued)

	2014 Market Value (000's)	2013 Market Value (000's)
(a) Park and Tilford Shopping Centre, North Vancouver, British Columbia.	$ 17,013	$ 17,228
(b) TD Creekside Corporate Centre, Mississauga, Ontario (50% interest).	13,999	14,308
(c) Centre 5735, Calgary, Alberta.	-	3,960
(d) Faubourg Bois Franc, St. Laurent, Québec.	9,932	10,107
(e) 10201 Jasper Avenue, Edmonton, Alberta (20% interest).	5,104	5,132
(f) 10303 Jasper Avenue, Edmonton, Alberta (20% interest).	11,295	10,897
(g) 10 Dundas Street East, Toronto, Ontario (15% interest).	15,024	14,790
(h) 550 Burrard Street, Vancouver, British Columbia (12.5% interest).	24,593	23,565
(i) 2875, 2885, 2895, 2905 and 2915 Argentia Road, Mississauga, Ontario.	15,478	16,299
(j) 652, 658, 662, 664 & 668 Erb Street West, Waterloo, Ontario.	12,096	-
Fair value of mortgage payables	$ 124,534	$ 116,286

Risks associated with financial assets and liabilities

The Corporation is exposed to financial risks arising from its financial assets and liabilities. The financial risks include market risk relating to interest rates, credit risk and liquidity risk. The Corporation's overall risk management program focuses on establishing policies 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 market conditions and the Corporation's activities. The Corporation aims to develop a disciplined control environment in which all employees understand their roles and obligations.

16. Financial instruments and risk management (continued)

Risks associated with financial assets and liabilities (continued)

(a) Market risk

Market risk, the risk that the fair value or future cash flows of financial assets or liabilities will fluctuate due to movements in market prices comprises the following:

Interest rate risk

The Corporation is subject to the risks associated with debt financing; including the risk that credit facilities will not be refinanced on terms as favourable as those of the existing indebtedness. For the year ended December 31, 2014, the increase / decrease in annual net income for each one percent change in interest rates on the Corporation fixed rate debt amounts to $937,668 / $946,753 (2013 - $1,134,509 / $1,146,034).

The Corporation's objective of managing interest rate risk is to minimize the volatility of the Corporation's income. As at December 31, 2014, interest rate risk has been minimized, as the mortgage payables are financed at fixed interest rates.

(b) Credit risk

Credit risk is the risk that the counterparty to a financial asset will default resulting in the Corporation incurring a financial loss. A substantial portion of the Corporation's amounts receivable is with retail tenants and individuals and is subject to normal industry credit risks.

The objective of managing credit risk is to mitigate exposure through the use of approved credit policies governing the Corporation's credit practices that limit transactions according to counterparties' credit quality.

The carrying amount of amounts receivable is reduced through the use of an allowance account and the amount of the loss is recognized in the statement of income within property operating expenses. When a receivable balance is considered uncollectible, it is written off against the allowance for doubtful accounts. Subsequent recoveries of amounts previously written off are credited against operating expenses in the statement of income.

(c) Liquidity risk

Liquidity risk is the risk the Corporation will encounter difficulties in meeting its financial liability obligations. The Corporation will be subject to the risks associated with debt financing, including the risk that credit facilities will not be able to be refinanced. The Corporation's objectives in minimizing liquidity risk are to maintain appropriate levels of leverage on its real estate assets. At December 31, 2014, the Corporation was holding cash and cash equivalents of $5,347,671 (December 31, 2013 - $5,208,268) and had $Nil undrawn lines of credit available to it.

16. Financial instruments and risk management (continued)

Risks associated with financial assets and liabilities (continued)

(d) Environmental risk

The Corporation is subject to various Canadian laws relating to the environment. The Corporation has formal policies and procedures dealing with limiting environmental exposures which are administered by the Manager. Costs related to environmental risk are mitigated by carrying environmental insurance. There is an exposure to financial risks arising from environmental factors which could cause a variation in earnings to the extent that costs may exceed such coverage.

17. Contingency

Included in cash and cash equivalent is a guaranteed investment certificate of $52,722 (2013 - $52,722) which serves as security for a letter of credit of $52,500 (2013 - $52,500) issued to The City of North Vancouver.

18. Subsequent event

Changes were required to the ownership of shares as a result of a Pension Reform Agreement signed in September 2014 between the Government of Newfoundland and the Public Service Pension Plan (the "PSPP"). The assets of the PSPP were separated from the other four pension plans continuing to make up the Pooled Pension Plan. The split of the Pooled Pension Plan assets resulted in a transfer of 62.47% (or 11,549,391 common shares) of outstanding common shares to the PSSP Fund. The Province of Newfoundland and Labrador Pooled Pension Fund will own the remaining 37.53% (or 6,938,509 common shares) of the outstanding shares. As of March 31, 2015, all outstanding common share certificates were returned for cancellation and two new certificates were issued as per the above-noted split.

Nova Central School District
Financial Statements
August 31, 2013

Coombs & Associates
Chartered Accountants

Coombs & Associates
Chartered Accountants

Independent Audit Report

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To the Board of Directors
Nova Central School District

We have audited the accompanying financial statements of Nova Central School District, which comprise the statement of financial position as at August 31, 2013 and the Statements of operations, retained earnings and cash flows for the two months 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 Board 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 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 qualified audit opinion.

Basis for Qualified Opinion

In accordance with the Schools Act, all salaries and other compensation for teachers are the responsibility of the Department. In accordance with Public Sector Accounting Board Standards liabilities for future employee benefits for teachers severance and sick benefits have been recorded in these financial statements, however, an offsetting receivable from the Department related to these liabilities has not been recorded. If the accounts receivable were recorded in accordance with Public Sector Accounting Board Standards, changes to the amounts reported for accounts receivable, revenue and reported surplus (deficit) would be necessary.

Qualified Opinion

In our opinion, except for the effects of the adjustment for failure to record the accounts receivable from the Department as described in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of Nova Central School District as at August 31, 2013 and the results of its operations and its cash flows for the two months then ended in accordance with Canadian Public Sector Accounting Board Standards.

The comparative figures were audited by another firm of chartered accountants.

Coombs & Associates

Chartered Accountants

Mount Pearl, Newfoundland and Labrador
March 31, 2014

Nova Central School District

Statement of Financial Position
August 31, 2013

	2013	June 30, 2013
Assets		
Cash - unrestricted	**$ 11,230,603**	$ 9,369,313
Restricted cash - scholarship contributions	**733,281**	712,930
Accounts receivable (Note 3)	**1,608,727**	1,616,334
Teachers summer pay receivable	-	13,227,096
	$ 13,572,611	$ 24,925,673
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities (Note 8)	**$ 2,794,238**	$ 1,772,428
Scholarship funds	**713,234**	712,930
Long term debt (Note 11)	**6,226,645**	6,439,442
Deferred grants (Note 7)	**4,040,687**	2,080,938
Employee future benefits		
Accrued severance		
- teachers and student assistants (Note 12)	**20,849,220**	20,453,129
- other (Note 12)	**3,111,801**	3,057,233
Accrued sick benefits		
- teachers and student assistants (Note 12)	**15,895,625**	15,903,415
- other (Note 12)	**1,451,031**	1,459,101
Accrued vacation/summer pay		
- teachers and student assistants	-	13,227,096
- other	**875,974**	1,210,572
	55,958,455	66,316,284
Net financial assets (debt)	**(42,385,844)**	(41,390,612)
Non-financial assets		
Prepaids (Note 5)	**452,631**	602,877
Tangible capital assets (Note 6)	**66,863,085**	66,617,042
	67,315,716	67,219,919
Accumulated surplus	**$ 24,929,872**	$ 25,829,309

Approved on Behalf of the Board:

Chair V. Chair

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

Coombs & Associates
Chartered Accountants

Nova Central School District

Statement of Operations
For the Two Months Then Ended August 31, 2013

	2013	Twelve months ended June 30, 2013
Revenue (Schedule 1)		
Provincial Government grants	**$ 5,778,038**	$153,560,549
Ancillary services	**-**	800
Miscellaneous	**49,252**	773,172
	5,827,290	154,334,521
Expenditure		
Administration (Schedule 2)	**545,451**	4,048,641
Instructional (Schedule 3)	**2,730,868**	115,127,810
Operations and maintenance (Schedule 4)	**1,739,240**	18,754,107
Pupil transportation (Schedule 5)	**339,523**	11,127,583
Ancillary services - other	**3,326**	622
Interest expense	**723**	205
Loss (gain) on disposal of tangible capital assets	**-**	(5,705)
Amortization	**932,797**	3,887,747
Change in sick benefits	**(15,860)**	(56,698)
Change in severance benefits	**450,659**	1,520,676
	6,726,727	154,404,988
Surplus (deficit)	**$ (899,437)**	$ (70,467)

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

Coombs & Associates
Chartered Accountants

Nova Central School District

Statement of Changes in Accumulated Surplus
For the two months ended August 31, 2013

	2013	June 30, 2013
Accumulated surplus, beginning before restatement	**$ 25,829,309**	$ 26,088,584
Prior period adjustment (Note 2)	**-**	(188,808)
Accumulated surplus, beginning after restatement	**25,829,309**	25,899,776
Surplus (deficit)	**(899,437)**	(70,467)
Accumulated surplus, ending	**$ 24,929,872**	$ 25,829,309

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

Coombs & Associates
Chartered Accountants

Nova Central School District

Statement of Changes in Net Financial Debt
For the Two Months Ended August 31, 2013

	2013	Twelve months ended June 30, 2013
Net debt - beginning of period	**$ (41,390,612)**	$ (41,074,543)
Surplus (deficit)	**(899,437)**	(70,467)
Changes in Tangible Capital Assets:		
Acquisition of tangible capital assets	**(1,178,840)**	(4,172,233)
Amortization of tangible capital assets	**932,797**	3,887,747
Decrease (increase) in net book value of tangible capital assets	**(246,043)**	(284,486)
Changes in other non-financial assets:		
Decrease (increase) in prepaid expenses	**150,248**	38,884
	(995,232)	(316,069)
Net debt - end of period	**$ (42,385,844)**	$ (41,390,612)

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

Coombs & Associates
Chartered Accountants

Nova Central School District

Statement of Cash Flows
For the Two Months Then Ended August 31, 2013

	2013	Twelve months ended June 30, 2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Surplus (deficit)	$ **(899,437)**	$ (70,467)
Amortization	**932,797**	3,887,747
Gain on disposal of tangible capital assets	-	(5,705)
	33,360	3,811,575
Changes in:		
Receivables	**7,609**	1,714,680
Teachers' summer pay receivable	**13,227,096**	(509,148)
Prepaids	**150,247**	38,884
Payables and accruals	**1,021,810**	(337,459)
Accrued severance benefits	**450,659**	1,520,676
Accrued sick benefits	**(15,860)**	(56,698)
Deferred grants	**1,959,749**	(1,112,886)
Accrued vacation pay	**(13,561,695)**	525,768
TOTAL CASH FLOWS FROM OPERATING ACTIVITIES	**3,272,975**	5,595,392
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to tangible capital assets	**(1,178,840)**	(4,172,233)
Proceeds from sale of tangible capital assets	-	5,705
Increase (decrease) in scholarship funds	**304**	(11,017)
NET CASH USED BY INVESTING ACTIVITIES	**(1,178,536)**	(4,177,545)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from long-term debt	-	891,028
Repayment of long-term debt	**(212,797)**	(1,330,817)
NET CASH USED BY FINANCING ACTIVITIES	**(212,797)**	(439,789)
Net cash increase (decreases) in cash and cash equivalents	**1,881,642**	978,058
Cash and cash equivalents at beginning of period	**10,082,242**	9,104,185
Cash and cash equivalents at end of period	**$ 11,963,884**	$ 10,082,243
Cash and cash equivalents consist of the following:		
Cash - unrestricted	**$ 11,230,603**	$ 9,369,313
Restricted cash - scholarship contributions	**733,281**	712,930
	$ 11,963,884	$ 10,082,243

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

Coombs & Associates
Chartered Accountants

1. Significant Accounting Policies

Nature of operations

Nova Central School District (the District) is responsible for the operation and maintenance of all schools in the central portion of the Province of Newfoundland and Labrador.

Nova Central School District is a not for profit organization and is exempt from income taxes and is constituted under the Provincial Schools Act.

Basis of accounting

These financial statements have been prepared in accordance with Canadian Public Sector Accounting Board Standards. Outlined below are those policies considered particularly significant to the District.

Cash and cash equivalents

Cash and cash equivalents includes 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 Education. Cash restricted for scholarship contributions are a separate component of unrestricted cash.

Tangible capital assets

Tangible capital assets are recorded at cost, although the title to certain of these assets is held by the Government of Newfoundland and Labrador as well as some former school authorities. Contributed capital assets are recorded at their estimated fair value at the date of contribution. Minor equipment purchases less than $15,000 are charged to operations in the year of acquisition.

Depreciation is calculated on the straight-line 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.

Gains and losses on disposal of individual assets are recognized in operations in the period of disposal.

Construction in progress is not depreciated until the project is substantially complete at which time the project costs are transferred to the appropriate asset class and amortized accordingly.

Building and improvements	40 years
Equipment	5 years
Service vehicles	5 years
School buses	12 years

1. Significant Accounting Policies continued

Impairment of long lived assets

In the event that facts and circumstances indicate that the District's long-lived assets may be impaired, an evaluation of recoverability would be performed. Such an evaluation entails comparing the estimated future undiscounted cash flows associated with the asset to the asset's carrying amount to determine if a write down to market value or discounted cash flow value is required. The District considers that no circumstances exist that would require such an evaluation.

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.

Financial instruments

The District recognizes and measures financial assets and financial liabilities on the statement of financial position when it becomes a party to the contractual provisions of a financial instrument. The District initially measures its financial assets and liabilities at fair value, except for certain non-arms length transactions. Measurement in subsequent periods is at amortized cost except for investments restricted for scholarship purposes which is subsequently measured at fair value.

Unless otherwise noted, it is managements opinion that the District is not exposed to significant interest, currency or credit risk.

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 of 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 actually determined using managements 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 related expense straight-line over the expected average remaining service life of the employee group.

Pension costs

Employees of Nova Central School District 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 the District. The annual contributions for pensions are recognized in the accounts on a current basis.

1. Significant Accounting Policies continued

Revenue recognition

Revenues are recognized when the significant risks and rewards of ownership have been completed and there are no significant obligations remaining. 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 revenue 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 recorded 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.

Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles 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 reporting period. Actual results could differ from those estimates and may have impact on future periods.

2. Restatement of an error - sick leave liability obligation

During fiscal year ended June 30, 2013, the District had an actuarial valuation done for sick leave and severance pay benefits. Subsequent to the issuance of the June 30, 2013 financial statements a programming error in the valuation of the sick leave for teachers, which related to the projection of salary for a certain segment of the population was discovered. Specifically, it related to salary projection for teachers with less than 10 years of service and the recognition of higher increases in the early portion of their career. Ultimately, the estimates of projected salaries for these teachers were lower than the agreed upon assumption. The effects on the statements of operations, financial position and cashflows are as follows:

	As previously reported June 30, 2013	Adjustments June 30, 2013	As restated June 30, 2013
Statement of operations			
Change in sick leave benefits	$ (106,579)	$ 49,881	$ (56,698)
Surplus (deficit)	$ (20,586)	$ (49,881)	$ (70,467)
Statement of financial position			
Accrued sick benefits			
- teachers and student assistants	$ 15,664,726	$ 238,689	$ 15,903,415
Statement of changes in accumulated surplus			
Accumulated surplus, opening balance	$ 26,088,584	$ (188,808)	$ 25,899,776
Statement of cashflows			
Accrued sick benefits	$ (106,579)	$ 49,881	$ (56,698)
Surplus (deficit)	$ (20,586)	$ (49,881)	$ (70,467)

3. Accounts receivables

Accounts receivable consist of the following:

	2013	June 30, 2013
Government of Newfoundland and Labrador	**$ 1,072,071**	$ 1,067,192
HST Receivable	**440,259**	356,282
Trade	**51,192**	127,177
Schools	**33,913**	52,663
Other accounts receivable	**11,292**	13,020
	$ 1,608,727	$ 1,616,334

4. Teachers' summer pay receivable/payable

Pursuant to a directive issued by the Department, 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 NIL at August 31, 2013; (June 30, 2013 - $13,227,096).

5. Prepaid expenses

Prepaid expenses consist of the following:

	2013	June 30, 2013
Municipal taxes	$ 141,305	$ 211,958
Workers compensation	238,456	285,645
Other	72,870	105,274
	$ 452,631	$ 602,877

6. Tangible capital assets

Tangible capital assets consist of the following:

	Cost	Accumulated Depreciation	2013 Net Book Value	June 30, 2013 Net Book Value
Land and sites	$ 2,839,675	$ -	$ 2,839,675	$ 2,839,675
Buildings	147,269,054	(91,042,539)	56,226,515	56,729,613
Busses	15,627,677	(8,181,336)	7,446,341	6,647,253
Vehicles	623,651	(507,469)	116,182	131,002
Furniture and equipment	22,682,595	(22,448,223)	234,372	269,499
	$ 189,042,652	$ (122,179,567)	$ 66,863,085	$ 66,617,042

7. Deferred grants

	2013	June 30, 2013
Deferred operating grants	$ 2,818,308	$ 632,187
Deferred capital grants and major maintenance	1,222,379	1,448,751
	$ 4,040,687	$ 2,080,938

8. Accounts payable and accrued expenses

Accounts payable consist of the following:

	2013	June 30, 2013
Accounts payable and accrued liabilities	$ **2,631,602**	$ 1,554,903
Payroll deductions	**162,636**	199,355
Accrued wages	-	18,170
	$ **2,794,238**	$ 1,772,428

9. Details of revolving credit facilities

The District has established an authorized operating demand loan of $ 2,000,000 bearing interest at TD bank prime less 1%. This credit facility was unused at August 31, 2013 and June 30, 2013. In accordance with the Schools Act, the operating demand loan was supported by a letter of approval to borrow provided by the Minister of Education.

10. Commitments

The District is committed under the terms of various operating leases to make payments in the upcoming five years as follows:

Year	Amount
2014	$ 135,477
2015	124,162
2016	87,350
2017	87,350
2018	15,251
	$ **449,590**

11. Long-term debt

Long-term debt consists of the following:

	2013	June 30, 2013
Prime minus 1% bank loans; secured by guarantee of the Province of Newfoundland and Labrador		
Repayable $15,542 monthly plus interest; maturing 2015	**$ 197,040**	$ 227,945
Repayable $13,293 monthly plus interest; maturing 2023	**1,448,989**	1,475,575
Repayable $6,277 monthly plus interest; maturing 2013	**-**	6,278
Repayable $1,125 monthly plus interest; maturing 2014	**16,878**	19,128
Repayable $2,914 monthly plus interest; maturing 2015	**55,475**	61,303
Repayable $3,794 monthly plus interest; maturing 2016	**144,190**	151,777
Repayable $2,738 monthly plus interest; maturing 2014	**27,376**	32,851
Repayable $2,793 monthly plus interest; maturing 2015	**53,073**	58,659
Repayable $1,084 monthly plus interest; maturing 2016	**40,110**	42,278
Repayable $21,563 monthly plus interest; maturing 2017	**1,013,464**	1,056,590
Repayable $24,443 monthly plus interest; maturing 2019	**1,442,139**	1,491,026
Repayable $7,873 monthly plus interest; maturing 2023	**952,573**	968,317
Repayable $6,182 monthly plus interest; maturing 2025	**835,338**	847,715
Total long-term debt	**6,226,645**	6,439,442

Principal repayments on long-term debt over the next five years are as follows:

2014	$ 1,245,395
2015	$ 1,038,468
2016	$ 938,850
2017	$ 898,773
2018	$ 643,124
Subsequent	$ 1,674,832
	$ 6,439,442

12. Employee future benefits

Future employee benefits related to accrued severance and accrued sick obligations have been calculated based on an actuarial valuation. The assumptions are based on future events. The economic assumptions used in the valuation are the Districts best estimates of expected rates as follows:

	2013	June 30, 2013
Wages and salary escalation - teaching staff in first 10 years of service	**7.25%**	7.25%
Wages and salary escalation - all other staff	**4%**	4.00%
Interest	**4.15%**	3.91%

Based on actuarial valuation of the liability, at August 31, 2013 the results for sick leave are as follows:

	Board Employees	Teachers and Student Assistants	August 31, 2013	Board Employees	Teachers and Student Assistants	June 30, 2013
Accrued sick pay obligation, beginning of period	$ 1,483,727	$ 16,210,288	$ 17,694,015	$ 1,571,869	$ 16,760,580	$ 18,332,449
Current period benefit cost	20,185	208,813	228,998	121,109	1,260,627	1,381,736
Benefit payments	(38,391)	(326,645)	(365,036)	(223,096)	(1,898,176)	(2,121,272)
Interest on accrued benefit obligations	9,610	105,253	114,863	51,710	559,022	610,732
Actuarial (gains) losses	(8,820)	(211,691)	(220,511)	(37,865)	(471,765)	(509,630)
	$ 1,466,311	**$ 15,986,018**	**$ 17,452,329**	**$ 1,483,727**	**$ 16,210,288**	**$ 17,694,015**

Based on actuarial valuation of the liability, at August 31, 2013 the results for severance are as follows:

	Board Employees	Teachers and Student Assistants	August 31, 2013	Board Employees	Teachers and Student Assistants	June 30, 2013
Accrued benefit obligation, beginning of period	$ 3,114,919	$ 20,934,350	$ 24,049,269	$ 3,050,264	$ 20,652,963	$ 23,703,227
Current period benefit cost	32,914	281,215	314,129	201,720	1,746,822	1,948,542
Benefit payments	-	(30,074)	(30,074)	(144,729)	(1,234,763)	(1,379,492)
Interest on accrued benefit obligations	20,406	137,240	157,646	104,678	710,906	815,584
Actuarial (gain) losses	(43,277)	(422,393)	(465,670)	(97,014)	(941,577)	(1,038,591)
Accrued benefit obligation, end of period	**$ 3,124,962**	**$ 20,900,338**	**$ 24,025,300**	**$ 3,114,919**	**$ 20,934,351**	**$ 24,049,270**

12. Employee future benefits continued

A reconciliation of the accrued benefit liability is as follows:

Sick benefits:

	Board Employees	Teachers and Student Assistants	August 31, 2013	Board Employees	Teachers and Student Assistants	June 30, 2013
Description Title						
Accrued benefit liability	$ 1,451,031	$ 15,895,625	$ 17,346,656	$ 1,459,101	$ 15,903,415	$ 17,362,516
Unamortized actuarial losses	15,280	90,393	105,673	24,626	306,873	331,499
	$ 1,466,311	$ 15,986,018	$ 17,452,329	$ 1,483,727	$ 16,210,288	$ 17,694,015

Severance benefits:

	Board Employees	Teachers and Student Assistants	August 31, 2013	Board Employees	Teachers and Student Assistants	June 30, 2013
Accrued benefit liability	$ 3,111,801	$ 20,849,220	$ 23,961,021	$ 3,057,233	$ 20,453,129	$ 23,510,362
Unamortized actuarial losses	13,161	51,118	64,279	57,686	481,222	538,908
	$ 3,124,962	$ 20,900,338	$ 24,025,300	$ 3,114,919	$ 20,934,351	$ 24,049,270

13. 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.

14. 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.

A number of claims have been filed against the District. An estimate of loss, relative to these matters is not determinable at this time at this time and no provision has been recorded in the accounts for these matters.

15. Subsequent events

Amalgamation

Effective September 1, 2013, the District amalgamated with the Eastern School District, Labrador School District, and Western School District to form a new school district for the Province of Newfoundland and Labrador. This new school District operates under the name Newfoundland and Labrador English School District. The new District represents all English speaking students in the Province of Newfoundland and Labrador.

Bus loans

Included in accounts payable an amount of $980,422 which represents amounts due for the purchase of eleven (11) school buses for the District. Subsequent to year end, approval to borrow was granted by the Department of Education and these amounts were financed through a chartered bank.

16. Budget

Public Sector Accounting Board regulation 1201 requires the District to disclose a comparison of the actual and budgeted financial results on the Statement of Operations. The District did not have an approved budget in place for the two months ended August 31, 2013 and as such the information was not readily available for disclosure on these financial statements.

Nova Central School District

Schedule 1 - Current Revenues
For the Two Months Ended August 31, 2013

	2013	Twelve months ended June 30, 2013
Provincial government grants		
Operations		
Regular operating grants	$ **2,582,020**	$ 23,602,442
Special grants	**100,239**	1,043,847
Capital grants	**198,397**	3,281,204
Major maintenance	**253,914**	4,010,440
	3,134,570	31,937,933
Salaries and benefits		
Directors and assistant directors/SEO	**185,504**	1,235,214
Regular teachers	**1,605,900**	99,129,633
Student assistants	**17,597**	2,801,480
Substitute teachers	**51,338**	4,619,171
Payroll tax	**261,714**	1,848,629
	2,122,053	109,634,127
Pupil transportation		
Board owned	**521,415**	10,160,317
Contracted	-	1,215,053
Special needs	-	613,119
	521,415	11,988,489
Ancillary services		
Rental from schools and facilities - net	-	800
Miscellaneous		
Interest on investments	**23,244**	133,682
Bus charters	**10,725**	262,929
Recoveries of expenditures	**312**	178,082
Insurance proceeds	-	34,236
Federal grants	**371**	41,838
Sundry	**14,600**	122,405
	49,252	773,172
	$ **5,827,290**	$ 154,334,521

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

Coombs & Associates
Chartered Accountants

Nova Central School District

Schedule 2 - Administration Expenditures
For the Two Months Ended August 31, 2013

	2013	Twelve months ended June 30, 2013
Salaries and benefits - Director and assistant directors/SEO	$ **170,074**	$ 1,272,251
Salaries and benefits - Board office	**215,353**	1,749,707
Office supplies	**807**	51,327
Replacement furniture and equipment	**-**	42,993
Postage	**8,105**	44,155
Telephone	**17,487**	64,307
Office equipment rental and repairs	**8,690**	16,786
Bank charges	**12**	364
Electricity	**6,095**	168,689
Insurance	**-**	4,372
Repairs and maintenance (office building)	**721**	34,317
Travel	**17,329**	71,961
Board meeting expenses	**8,765**	56,191
Professional fees	**15,786**	203,898
Advertising	**5,229**	42,710
Membership dues	**11,805**	83,899
Municipal taxes	**6,224**	40,146
Miscellaneous	**50,831**	73,219
Payroll taxes	**2,138**	27,349
	$ **545,451**	$ 4,048,641

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

Nova Central School District

Schedule 3 - Instructional
For the two months Ended August 31, 2013

	2013	Twelve months ended June 30, 2013
Instructional salaries		
Teacher salaries		
- Regular	$ 1,314,322	$83,896,772
- Substitute	51,338	4,619,171
- Board paid	-	8,305
- Student assistants	17,597	2,800,619
Employee benefits	291,578	15,232,859
School secretaries - salaries and benefits	12,433	2,550,879
Payroll tax	261,772	1,889,722
IMC salary	-	37,033
	1,949,040	11,035,360
Instructional materials		
General supplies	249,028	725,228
Library resources	104,176	112,302
Teaching aids	149,542	491,785
	502,746	1,329,315
Instructional furniture and equipment		
Replacement	93,883	1,099,393
Rentals and repairs	22,256	159,258
	116,139	1,258,651
Instructional staff travel		
Program co-ordinators	22	59,971
Teachers travel	7,011	284,559
Inservice and conferences	427	165,119
	7,460	509,649
Other instructional costs		
Miscellaneous	155,483	994,835
	$ 2,730,868	$15,127,810

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

Coombs & Associates
Chartered Accountants

Nova Central School District

Schedule 4 - Operations and Maintenance Expenditures - Schools
For the Two Months Ended August 31, 2013

	2013	Twelve months ended June 30, 2013
Salaries and benefits		
- Janitorial	**$ 429,077**	$ 4,066,989
- Maintenance	**349,539**	2,249,476
Payroll tax	**7,951**	111,826
Electricity	**107,316**	3,289,784
Fuel	**2,552**	780,998
Municipal service fees	**121,049**	688,179
Telephone	**77,257**	560,437
Vehicle operating and travel	**21,620**	130,761
Janitorial supplies	**98,965**	253,632
Janitorial equipment	**894**	42,576
Repairs and maintenance		
- Buildings	**231,560**	1,179,304
- Equipment	**1,292**	5,440
Contracted services - janitorial	**24,976**	267,392
Snowclearing	**-**	657,613
Other	**265,192**	4,469,700
	$ 1,739,240	$18,754,107

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

Coombs & Associates
Chartered Accountants

Nova Central School District

Schedule 5 - Pupil Transportation Expenditures
For the Two Months Ended August 31, 2013

	2013	Twelve months ended June 30, 2013
Operation and maintenance of board owned fleet		
Salaries and benefits		
- Administration	$ 24,481	$ 215,841
- Drivers and mechanics	132,517	6,251,109
Payroll tax	2,567	98,285
Interest on long-term debt	20,480	129,349
Gas & oil	18,299	1,335,553
Licenses	14,574	86,724
Insurance	-	106,798
Repairs and maintenance		
- Fleet	69,679	590,158
- Building	24,876	56,671
Tires and tubes	16,288	68,062
Heat and light	2,883	102,497
Municipal services	2,137	12,101
Snowclearing	-	40,272
Office supplies	309	16,178
Travel	607	11,351
Professional fees	-	16,521
Miscellaneous	6,177	115,347
Telephone	7,094	46,592
	342,968	9,299,409
Contracted services		
Regular transportation	(3,445)	1,215,053
Special needs	-	613,121
	(3,445)	1,828,174
Total pupil transportation expenditures	$ 339,523	$11,127,583

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

Coombs & Associates
Chartered Accountants

OFFICE OF THE HIGH SHERIFF
OF NEWFOUNDLAND AND LABRADOR

FINANCIAL STATEMENTS

MARCH 31, 2015

INDEPENDENT AUDITOR'S REPORT

To the High Sheriff of Newfoundland and Labrador
St. John's, Newfoundland and Labrador

Report on the Financial Statements

I have audited the accompanying financial statements of the Office of the High Sheriff of Newfoundland and Labrador which comprise the balance sheet as at March 31, 2015, and the statement of revenues and expenses 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 accounting policies described in Note 1 to meet the information needs of the Office of the High Sheriff of Newfoundland and Labrador and the Government of Newfoundland and Labrador under Section 10 of the *Sheriff's Act, 1991*, 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 judgment of the auditor, 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 Office of the High Sheriff of Newfoundland and Labrador as at March 31, 2015, and its revenues and expenses for the year then ended in accordance with the accounting policies described in Note 1 to these financial statements.

Basis of Accounting and Restriction on Use

Without modifying my opinion, I draw attention to Note 1 to the financial statements which describes the basis of accounting. These financial statements are prepared solely for the information of the Office of the High Sheriff of Newfoundland and Labrador and the Government of Newfoundland and Labrador under Section 10 of the *Sheriff's Act, 1991*. As a result, the financial statements may not be suitable for another purpose. My report is intended solely for the use of the Office of the High Sheriff of Newfoundland and Labrador and the Government of Newfoundland and Labrador and should not be used by anyone other than the specified users.

TERRY PADDON, CPA, CA
Auditor General

October 5, 2015
St. John's, Newfoundland and Labrador

OFFICE OF THE HIGH SHERIFF OF NEWFOUNDLAND AND LABRADOR
BALANCE SHEET

March 31				2015	2014
	Trust Fund (Note 2)	Revenue Fund (Note 3)	Trial and Jury Fund (Note 4)	Total	Total
ASSETS					
Cash	$ 24,636	$ 10,734	$ 19,310	$ 54,680	$ 158,030
Accounts receivable	6,552	88,877	878	96,307	89,616
Inventory held in trust (Note 1)	-	-	-	-	-
	$ 31,188	$ 99,611	$ 20,188	$ 150,987	$ 247,646
LIABILITIES					
Trust account, court orders	$ 29,780	$ -	$ -	$ 29,780	$ 138,113
Due to Consolidated Revenue Fund	1,408	99,611	188	101,207	89,533
Accountable advance liabilities	-	-	20,000	20,000	20,000
	$ 31,188	$ 99,611	$ 20,188	$ 150,987	$ 247,646

Contingent liabilities (Note 5)

See accompanying notes

Signed on behalf of the Office: ____________________
High Sheriff

OFFICE OF THE HIGH SHERIFF OF NEWFOUNDLAND AND LABRADOR
STATEMENT OF REVENUES AND EXPENSES
For the Year Ended March 31 **2015** **2014**

	Trust Fund (Note 2)	Revenue Fund (Note 3)	Trial and Jury Fund (Note 4)	2015 Total	2014 Total
REVENUES					
Court orders	$ 2,825,429	$ -	$ -	$ 2,825,429	$ 3,642,687
Service fees	-	1,645,474	-	1,645,474	1,724,319
Registration fees, court orders	-	150,748	-	150,748	153,376
Replenishment of trial and jury bank account	-	-	59,741	59,741	23,798
Interest	3,065	-	188	3,253	3,965
	$ 2,828,494	$ 1,796,222	$ 59,929	$ 4,684,645	$ 5,548,145
EXPENSES					
Court orders	$ 2,825,429	$ -	$ -	$ 2,825,429	$ 3,642,687
Consolidated Revenue Fund	1,408	1,796,222	188	1,797,818	1,879,795
Trial and jury expenses	-	-	59,741	59,741	23,798
Bank fees	1,657	-	-	1,657	1,865
	$ 2,828,494	$ 1,796,222	$ 59,929	$ 4,684,645	$ 5,548,145

See accompanying notes

Authority

The Office of the High Sheriff of Newfoundland and Labrador operates under the authority of the *Judgment Enforcement Act* and *Regulations*, implemented June 1, 1997 and the *Sheriff's Act, 1991*. The Office is the enforcement arm of the Supreme Court of Newfoundland and Labrador and the Provincial Courts (the Courts), and has the responsibility of enforcing all monetary judgments issued by these Courts. This includes the attachment and seizure of real and personal property. The Office is also responsible for the service of court documents, the administration of the jury system and court security.

1. Basis of accounting

These financial statements have been prepared by the Office of the High Sheriff of Newfoundland and Labrador in accordance with the summary of significant accounting policies set out below to meet the information needs of the Office of the High Sheriff of Newfoundland and Labrador and the Government of Newfoundland and Labrador under Section 10 of the *Sheriff's Act, 1991*. The basis of accounting used in these financial statements materially differs from Canadian generally accepted accounting principles because revenues related to Court orders are being recognized on a cash basis and not all expenditures related to the operations of the Office are reflected in these statements.

Summary of significant accounting policies

These financial statements have been prepared on the accrual basis of accounting except for Court order revenues which are recorded on a cash basis. Outlined below are the significant accounting policies followed.

(a) Administrative expenditures

The Office of the High Sheriff of Newfoundland and Labrador, for administrative purposes, operates as a division of the Department of Justice and Public Safety. Therefore, expenditures related to salaries, accommodations and administration are absorbed by the Department of Justice and Public Safety and no provision has been made in these financial statements for those expenditures.

(b) Inventory held in trust

Inventory held in trust consists of real or personal property seized by the Office of the High Sheriff of Newfoundland and Labrador as the result of a Court order. When inventory is on hand at year end, it is recorded in these financial statements at a nominal value of $1 as valuation of these assets is not readily determinable. These assets are recorded in the records of the Office of the High Sheriff of Newfoundland and Labrador at an estimated value for administrative purposes.

2. Trust Fund

A trust bank account has been established to accommodate the receipt of funds collected from defendants and the payment of these funds to plaintiffs.

3. Revenue Fund

Revenues collected for various services provided by the Office of the High Sheriff of Newfoundland and Labrador are deposited directly to the Province's Consolidated Revenue Fund.

4. Trial and Jury Fund

The Office of the High Sheriff of Newfoundland and Labrador is responsible for jury administration in the Province and maintains a recurring accountable advance of $20,000 to pay expenses associated with this duty. This advance is replenished as required throughout the year by claims submitted to the Department of Justice and Public Safety.

5. Contingent liabilities

The following possible legal claims have been identified:

(i) A claim has been made against the Office of the High Sheriff of Newfoundland and Labrador and the Canada Customs and Revenue Agency, in the Supreme Court Trial Division, for damages arising from a Judgment Enforcement matter. In 2013, a trial was heard in this matter. At trial, the Plaintiffs' claim was dismissed and no liability was afforded to the Office of the High Sheriff. The Plaintiffs have now appealed this matter to the Court of Appeal. The Appeal of this matter is set to be heard in October 2015. The likelihood of a loss is unknown and an amount cannot be estimated at this time as the portion of the claim for which the Office of the High Sheriff may be responsible has not been determined.

(ii) A claim has been made against the Office of the High Sheriff of Newfoundland and Labrador for alleged personal injury. The likelihood of a loss is unknown and an amount cannot be estimated at this time as the claim amount has not been determined.

6. Related party transactions

Service fees, search fees and registration fees collected, and interest earned, net of bank fees, are paid into the Province's Consolidated Revenue Fund. In addition, trial and jury expenses are replenished by the Department of Justice and Public Safety.

7. Income taxes

The Office of the High Sheriff of Newfoundland and Labrador is a division of the Department of Justice and Public Safety and as such is not subject to Provincial or Federal income taxes.

OFFICE OF THE PUBLIC TRUSTEE

FINANCIAL STATEMENTS

MARCH 31, 2015

AUDITOR GENERAL
of Newfoundland and Labrador

INDEPENDENT AUDITOR'S REPORT

To the Public Trustee
St. John's, Newfoundland and Labrador

Report on the Financial Statements

I have audited the accompanying financial statements of the Office of the Public Trustee, which comprise the statement of fund balances as at March 31, 2015 and the statements of changes in fund balance for the Estate/Trust Fund, and Administration Fund 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 accounting policies described in Note 1 to meet the information needs of the Office of the Public Trustee, and the Government of Newfoundland and Labrador under Section 21 of the *Public Trustee Act, 2009*, 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 Office of the Public Trustee as at March 31, 2015, and the results of its operations for the year then ended in accordance with the accounting policies described in Note 1 to these financial statements.

Basis of Accounting and Restriction on Use

Without modifying my opinion, I draw attention to Note 1 to the financial statements which describes the basis of accounting. These financial statements are prepared solely for the information of the Office of the Public Trustee and the Government of Newfoundland and Labrador to meet their information needs under Section 21 of the *Public Trustee Act, 2009*. As a result, the financial statements may not be suitable for another purpose. My report is intended solely for the use of the Office of the Public Trustee and the Government of Newfoundland and Labrador and should not be used by anyone other than the specified users.

TERRY PADDON, CPA, CA
Auditor General

July 16, 2015
St. John's, Newfoundland and Labrador

OFFICE OF THE PUBLIC TRUSTEE
STATEMENT OF FUND BALANCES
As at March 31

	Estate/Trust Fund (Note 2)	Administration Fund (Note 3)	2015 Total	2014 Total
ASSETS				
Cash	$ 25,392,160	$ 337,265	$ 25,729,425	$ 22,100,345
Investments (Note 4)	17,515,303	-	17,515,303	15,815,721
Real estate and other assets (Note 1c)	1	-	1	1
Total assets	$ 42,907,464	$ 337,265	$ 43,244,729	$ 37,916,067
Total Fund balances	$ 42,907,464	$ 337,265	$ 43,244,729	$ 37,916,067

See accompanying notes

Signed: for

Public Trustee

OFFICE OF THE PUBLIC TRUSTEE
STATEMENT OF CHANGES IN FUND BALANCE
ESTATE/TRUST FUND

For the Year Ended March 31	2015	2014
INCREASES		
Estate/trust assets received	$ 7,394,881	$ 10,969,949
Pension, compensation and assistance	3,040,036	2,792,898
Sale of real estate	3,996,237	2,730,171
Investment income	377,523	354,533
Revaluation of investments	626,087	214,669
Sale of other assets	143,707	40,005
	15,578,471	17,102,225
DECREASES		
Commissions charged and paid to Administration Fund	424,839	232,935
Estates/trusts completed	3,802,196	4,757,950
Estate/trust disbursements	5,712,355	6,777,233
Excess interest paid to Administration Fund	11,558	5,258
Harmonized sales tax paid to Administration Fund	55,189	30,445
Unclaimed estates paid to Administration Fund	247,893	272,817
	10,254,030	12,076,638
Net increase	5,324,441	5,025,587
Fund balance, beginning of year	37,583,023	32,557,436
Fund balance, end of year	$ 42,907,464	$ 37,583,023

See accompanying notes

OFFICE OF THE PUBLIC TRUSTEE
STATEMENT OF CHANGES IN FUND BALANCE
ADMINISTRATION FUND

For the Year Ended March 31	2015	2014
INCREASES		
Unclaimed estates received from Estate/Trust Fund	$ 247,893	$ 272,817
Commissions received from Estate/Trust Fund	424,839	232,935
Harmonized sales tax received from Estate/Trust Fund	55,189	30,445
Refunds to Special Reserve Fund	63,970	18,106
Investment income	17,284	8,775
	809,175	563,078
DECREASES		
Commissions paid to Consolidated Revenue Fund	434,510	224,148
Harmonized sales tax remitted to Federal Government	56,487	29,520
Office administration expenses paid from Special Reserve Fund	57,065	22,871
Professional fees	9,005	-
Unclaimed estates paid to Consolidated Revenue Fund	247,887	300,575
	804,954	577,114
Net increase (decrease)	4,221	(14,036)
Fund balance, beginning of year	333,044	347,080
Fund balance, end of year	$ 337,265	$ 333,044

See accompanying notes

Authority

The Office of the Public Trustee operates under the authority of the *Public Trustee Act, 2009*.

The Public Trustee administers estates of deceased persons when appointed personal representative by the Supreme Court of Newfoundland and Labrador and administers trusts of minors and mentally disabled persons when appointed guardian by the Court or by virtue of Section 20 of the *Mentally Disabled Persons' Estates Act*.

The Public Trustee also has custody of monies paid to the Supreme Court under various statutes.

1. Basis of accounting

These financial statements have been prepared by the Office of the Public Trustee in accordance with the significant accounting policies set out below to meet the information needs of the Office of the Public Trustee for Newfoundland and Labrador, and the Government of Newfoundland and Labrador under Section 21 of the *Public Trustee Act, 2009*. 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 Office of the Public Trustee are reflected in these statements.

Summary of significant accounting policies

These financial statements are prepared on the cash basis of accounting. Outlined below are the significant accounting policies followed.

(a) Administrative expenditures

The Office of the Public Trustee, for administrative purposes, operates as a Crown corporation under the jurisdiction of the Department of Justice and Public Safety. Expenditures related to salaries, accommodations and administration are absorbed by the Department of Justice and Public Safety and no provision has been made in these financial statements for the cost of these items. However, office administration expenditures paid from the Office of the Public Trustee's Special Reserve Fund under Section 22(2) of the *Public Trustee Act, 2009* are recorded in these financial statements in the amount of $57,065 for the year ended March 31, 2015 ($22,871 for the year ended March 31, 2014).

1. Basis of accounting (cont.)

Summary of significant accounting policies (cont.)

(b) Investments

Investments consist of Bank and Trust Company Guaranteed Investment Certificates, Canada Savings Bonds, mortgages, pre-arranged funerals, Registered Retirement Savings Plans/Income Funds, Registered Education Savings Plans and shares owned by estates at the dates of appointment of the Public Trustee. Such investments are recorded at face or market value, except for mortgages which are recorded at face value net of principal payments received.

(c) Real estate and other assets

Real estate and other assets are recorded in these financial statements at an aggregate nominal value of $1 as valuation of these assets is not readily determinable. These assets are recorded in the client accounts at estimated market value for administrative purposes.

2. Estate/Trust Fund

The Office of the Public Trustee, in certain cases, is appointed by the Court as personal representative of the estates of deceased persons or as guardian of the trusts of minors and mentally disabled persons. The trust accounts of the Office of the Public Trustee include monies and other assets held on behalf of such estates/trusts. In addition, there are other monies held in trust as a result of various court actions.

The funds under the control of the Office of the Public Trustee are received under the following Acts, and Rules and Regulations thereunder:

(a) *Public Trustee Act, 2009*
(b) *Enduring Powers of Attorney Act*
(c) *Judicature Act*
(d) *Life Insurance Act*
(e) *Mentally Disabled Persons Estates Act*
(f) *Trustee Act*

3. Administration Fund

The Administration Fund was established to record monies collected pursuant to Section 11 of the *Public Trustee Act, 2009*. It is comprised primarily of a Special Reserve Fund consisting of interest earned in the Estate/Trust Fund in excess of that allocated to clients in accordance with Section 10 of the *Public Trustee Act, 2009*. The balance of the Special Reserve Fund was $336,064 as at March 31, 2015 (2014 - $321,221). Other monies flowing through the Administration Fund include commissions and unclaimed assets to be paid over to the Consolidated Revenue Fund, and Harmonized sales tax collected on commissions to be paid over to the Federal Government.

4. Investments

	2015	2014
Total investments held for all Funds is comprised of the following:		
Guaranteed Investment Certificates and Canada Savings Bonds	**$ 7,617,824**	$ 8,144,880
Mortgages	**123,860**	123,860
Pre-arranged funerals	**325,677**	366,982
Cash surrender value - life insurance	**10,000**	81,685
Registered Retirement Savings Plans/Income Funds and Registered Education Savings Plans	**6,926,903**	4,999,339
Shares	**2,511,039**	2,098,975
	$ 17,515,303	$ 15,815,721

5. Related party transactions

Commissions earned and service fees collected are paid into the Consolidated Revenue Fund of the Province of Newfoundland and Labrador.

6. Income taxes

The Office of the Public Trustee is an entity of the Crown and as such is not subject to Provincial or Federal income taxes.

PRIVATE TRAINING CORPORATION

Financial Statements

Year Ended December 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 AUDITOR'S REPORT

To the Members of Private Training Corporation

We have audited the accompanying financial statements of Private Training Corporation, which comprise the statement of financial position as at December 31, 2014 and the statements of revenues and expenditures, changes in net assets and cash flow 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 accounting standards for not-for-profit organizations, 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 Private Training Corporation as at December 31, 2014 and the results of its operations and its cash flow for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Noseworthy Chapman
Chartered Professional Accountants
St. John's, NL
April 2, 2015

PRIVATE TRAINING CORPORATION
Statement of Financial Position
December 31, 2014

	2014	2013
ASSETS		
CURRENT		
Cash	$ 3,386	$ 22,568
Short term investments *(Note 4)*	4,263,924	1,445,598
Accounts receivable from private training institutions	67,320	73,379
	4,334,630	1,541,545
LONG TERM INVESTMENTS	-	2,416,051
	$ 4,334,630	$ 3,957,596
LIABILITIES		
CURRENT		
Accounts payable	$ 3,600	$ 6,685
NET ASSETS		
Train out fund	4,331,030	3,950,911
LIABILITIES AND NET ASSETS	$ 4,334,630	$ 3,957,596

ON BEHALF OF THE BOARD

_______________ *Director*

_______________ *Director*

See notes to financial statements

PRIVATE TRAINING CORPORATION

Statement of Revenues and Expenditures

Year Ended December 31, 2014

		2014		2013
REVENUE				
Contributions from private training institutions	$	321,228	$	310,471
Interest income		68,785		62,821
		390,013		373,292
EXPENDITURES				
Office		1,405		1,231
Professional fees		8,489		9,791
		9,894		11,022
EXCESS OF REVENUE OVER EXPENDITURES	$	380,119	$	362,270

See notes to financial statements

PRIVATE TRAINING CORPORATION
Statement of Changes in Net Assets
Year Ended December 31, 2014

	2014	2013
NET ASSETS - BEGINNING OF YEAR	**$ 3,950,911**	$ 3,588,641
Excess of revenue over expenditures	**380,119**	362,270
NET ASSETS - END OF YEAR	**$ 4,331,030**	$ 3,950,911

See notes to financial statements

PRIVATE TRAINING CORPORATION

Statement of Cash Flow

Year Ended December 31, 2014

		2014		2013
OPERATING ACTIVITIES				
Cash receipts from private training institutions	$	327,287	$	308,078
Cash paid to suppliers		(12,979)		(14,031)
Interest received		68,785		62,821
Cash flow from operating activities		383,093		356,868
INVESTING ACTIVITY				
Short and long term investments		(402,275)		(422,821)
DECREASE IN CASH		(19,182)		(65,953)
Cash - beginning of year		22,568		88,521
CASH - END OF YEAR	$	3,386	$	22,568

See notes to financial statements

1. PURPOSE OF THE ORGANIZATION

Private Training Corporation (the "organization") is incorporated without share capital under the Private Training Institutions Act of Newfoundland and Labrador. The purpose of the Organization is to operate a Train Out Fund to provide compensation to students to complete their training where a private training institution fails to fulfill its training to students due to closure and to monitor the financial operations of all private training institutions. Private training institutions make contributions to the Fund based on a percentage of student tuition.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNFPO).

Revenue recognition

The organization follows the deferral method of accounting for contributions.

Contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Investment income is recognized on the accrual basis as earned.

Financial instruments policy

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations 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 organization 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 December 31, 2014.

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 interest-bearing investments.

4. INVESTMENTS

Investments consist of guaranteed investment certificates and are measured at fair value based upon the market value at year end which includes accrued interest. Maturity dates range from February 13, 2015 to November 28, 2015 with interest rates from 1.50% to 1.90%.

Financial Statements

Province of Newfoundland and Labrador
Pooled Pension Fund

December 31, 2014

INDEPENDENT AUDITOR'S REPORT

To the Trustee
Province of Newfoundland and Labrador
Pooled Pension Fund
St. John's, Newfoundland and Labrador

Report on the Financial Statements

I have audited the accompanying financial statements of the Province of Newfoundland and Labrador Pooled Pension Fund, which comprise the statement of financial position as at December 31, 2014, and the statements of changes in net assets available for benefits, and changes in pension obligations 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 accounting standards for pension plans, 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, these financial statements present fairly, in all material respects, the financial position of the Province of Newfoundland and Labrador Pooled Pension Fund as at December 31, 2014 and the changes in its net assets available for benefits and changes in its pension obligations for the year then ended in accordance with Canadian accounting standards for pension plans.

TERRY PADDON, CPA, CA
Auditor General

St. John's, Newfoundland and Labrador
June 30, 2015

PROVINCE OF NEWFOUNDLAND AND LABRADOR POOLED PENSION FUND
STATEMENT OF FINANCIAL POSITION

As at December 31	2014	2013
	(000's)	(000's)
ASSETS		
Investments (Note 2)		
Short-term notes and deposits	$ 103,396	$ 143,530
Bonds and debentures	1,558,536	1,457,530
Equities - Canadian	2,834,515	2,692,641
- Foreign	3,641,058	3,283,689
Real estate	249,842	234,922
	8,387,347	7,812,312
Receivables		
Employee contributions	6,665	6,146
Employer contributions	5,893	5,351
Accrued investment income	19,970	18,800
Accounts receivable	872	822
	33,400	31,119
Cash	22,349	20,883
	8,443,096	7,864,314
LIABILITIES		
Accounts payable and accrued liabilities	6,442	6,195
Refunds payable	7,379	3,404
Due to Province of Newfoundland and Labrador	1,352	1,755
	15,173	11,354
NET ASSETS AVAILABLE FOR BENEFITS	$ 8,427,923	$ 7,852,960
ACCRUED BENEFITS OBLIGATION AND DEFICIT		
Accrued benefits obligation	$ 13,005,396	$ 12,902,743
Deficit	(4,577,473)	(5,049,783)
ACCRUED BENEFITS OBLIGATION AND DEFICIT	$ 8,427,923	$ 7,852,960

See accompanying notes

Signed on behalf of the Fund:

Minister of Finance
and President of Treasury Board
Trustee

PROVINCE OF NEWFOUNDLAND AND LABRADOR POOLED PENSION FUND
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
For the Year Ended December 31 — **2014** — **2013**

	Public Service Pension Plan (000's)	Teachers' Pension Plan (000's)	Uniformed Services Pension Plan (000's)	Members of the House of Assembly Pension Plan (000's)	Provincial Court Judges' Pension Plan (000's)	2014 Total (000's)	2013 Total (000's)
Increase (decrease) in net assets from:							
Investments (Note 3)							
Investment income	$ 151,401	$ 85,566	$ 5,273	$ 583	$ 194	$ 243,017	$ 199,262
Gain on sale of investments	407,691	230,414	14,200	1,571	524	654,400	376,618
Current period change in market value of investments	17,640	9,970	614	68	23	28,315	875,369
	576,732	325,950	20,087	2,222	741	925,732	1,451,249
Contributions							
Employee	134,484	48,531	4,514	467	294	188,290	187,311
Employer (Note 9)	115,765	44,202	4,331	407	214	164,919	164,722
Special payments (Note 9)	-	-	-	-	-	-	204,300
	826,981	418,683	28,932	3,096	1,249	1,278,941	2,007,582
Other changes in net assets							
Pension payments	(332,710)	(268,060)	(23,288)	(1,026)	(199)	(625,283)	(589,724)
Refund of contributions with interest	(47,918)	(5,314)	(320)	-	(79)	(53,631)	(44,605)
Administrative costs (Note 6)	(15,628)	(8,782)	(560)	(70)	(24)	(25,064)	(22,536)
	(396,256)	(282,156)	(24,168)	(1,096)	(302)	(703,978)	(656,865)
Total increase in net assets	430,725	136,527	4,764	2,000	947	574,963	1,350,717
Net assets available for benefits, beginning of period	4,824,912	2,828,323	175,802	17,845	6,078	7,852,960	6,502,243
Net assets available for benefits, end of period	$ 5,255,637	$ 2,964,850	$ 180,566	$ 19,845	$ 7,025	$ 8,427,923	$ 7,852,960

See accompanying notes

PROVINCE OF NEWFOUNDLAND AND LABRADOR POOLED PENSION FUND
STATEMENT OF CHANGES IN PENSION OBLIGATIONS
For the Year Ended December 31 **2014** **2013**

	Public Service Pension Plan (000's)	Teachers' Pension Plan (000's)	Uniformed Services Pension Plan (000's)	Members of the House of Assembly Pension Plan (000's)	Provincial Court Judges' Pension Plan (000's)	Total 2014 (000's)	Total 2013 (000's)
Accrued benefits obligation at beginning of period	$ 7,841,348	$ 4,608,553	$ 425,066	$ 21,643	$ 6,133	$ 12,902,743	$ 11,824,371
Increase (decrease) in accrued benefits obligation							
Amendments to plan	(68,620)	-	-	-	-	(68,620)	-
Interest on accrued benefits	525,573	304,906	28,209	1,413	396	860,497	791,269
Benefits accrued	270,473	90,528	9,307	901	476	371,685	351,393
Impact of changes in actuarial assumptions	(301,251)	(77,314)	(2,648)	(68)	-	(381,281)	530,229
Impact of experience gains and losses	-	-	-	(577)	(137)	(714)	39,810
Benefits paid	(380,628)	(273,374)	(23,608)	(1,026)	(278)	(678,914)	(634,329)
Total increase in accrued benefits obligation	45,547	44,746	11,260	643	457	102,653	1,078,372
Accrued benefits obligation at end of period	$ 7,886,895	$ 4,653,299	$ 436,326	$ 22,286	$ 6,590	$ 13,005,396	$ 12,902,743

See accompanying notes

Authority and description

The Province of Newfoundland and Labrador Pooled Pension Fund (the Fund) was created July 1, 1980 under the authority of the *Pensions Funding Act* (the *Act*) for the purpose of providing for the funding of pension plans sponsored by the Province. The affairs of the Fund are managed by the Minister of Finance, as Trustee of the Fund. Section 9 of the *Act* states that where there are insufficient assets to meet the obligations of the Fund, or the equity apportioned to a plan is insufficient to meet the obligations of the plan, the Minister shall pay out of the Consolidated Revenue Fund sufficient monies as may be necessary to cover the deficiency.

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

The following pension plans participate in the Fund: Public Service Pension Plan, Teachers' Pension Plan, Uniformed Services Pension Plan, Members of the House of Assembly Pension Plan and the Provincial Court Judges' Pension Plan.

(a) Public Service Pension Plan

(i) General

The Plan is a contributory defined benefit pension plan covering full-time employees of the Government of the Province of Newfoundland and Labrador, the Legislature and various Crown corporations, agencies and commissions created by or under a statute of the Province.

The Plan is comprised of two components, a Registered Plan, which provides registered pension benefits allowable under the *Income Tax Act* (Canada), and a Supplementary Plan, which provides benefits in excess of the *Income Tax Act* (Canada) maximum benefit limits. These financial statements include only amounts that pertain to the Registered Plan. Amounts that pertain to the Supplementary Plan are included within the accounts of the Consolidated Revenue Fund.

(ii) Employee contributions

Employee contributions are equal to 8.6% of the Canada Pension Plan (CPP) basic exemption, plus 6.8% of the employee's salary between the CPP basic exemption and the Year's Maximum Pensionable Earnings (YMPE) under the CPP, plus 8.6% of the employee's salary in excess of the YMPE, up to a maximum allowed under the *Income Tax Act* (Canada). Amounts in excess of the maximum allowed are paid to the Supplementary Plan.

Authority and description (cont.)

(a) Public Service Pension Plan (cont.)

(iii) Accrued service pensions

A service pension is available from the Registered Plan based on the number of years of pensionable service times 2% of the member's best five years average salary. When a retired member reaches age 65, this pension is reduced by 0.6% of the member's best five years average salary up to average YMPE times years of pensionable service after April 1, 1967. The calculated amount shall not exceed the maximum allowable benefit as determined under the *Income Tax Act* (Canada).

Where the calculated amount does exceed the maximum allowable benefit as determined under the *Income Tax Act* (Canada), a vested member who is no longer an employee can receive a pension from the Supplementary Plan. The total pension received from both the Registered Plan and the Supplementary Plan equals the amount calculated based on the number of years of pensionable service times 2% of the member's best five years average salary.

Employees who have reached age 50 and have at least 30 years of service are permitted to retire with a 0.5% reduction in pension benefit for each month under age 55.

Employees who have reached age 55 and have 30 years of service may retire with an unreduced pension. Employees age 55 or greater with less than 30 years service and with age and service equal to 85 may retire with a pension reduced by 0.5% for each month under age 60.

Vested employees who have reached age 55 may retire with an actuarially reduced pension.

(iv) Disability pensions

A disability pension equal to the accrued service pension is available on permanent incapacity at any age with a minimum of five years pensionable service.

(v) Survivor pensions

A survivor pension of 60% of the member's accrued service pension is paid to the surviving principal beneficiary (and on the surviving principal beneficiary's death, to dependent children) following the death of a pensioner, a deferred pensioner or an employee with at least five years pensionable service.

Authority and description (cont.)

(a) Public Service Pension Plan (cont.)

(vi) Pre-retirement death benefits

Where an employee with at least five years pensionable service dies before receiving a pension and a survivor benefit is payable, the surviving principal beneficiary may elect to receive either the survivor benefit, or the greater of the commuted value of the survivor benefit and the commuted value of the employee's pension entitlement.

Where an employee with at least five years pensionable service dies before receiving a pension and there is no surviving principal beneficiary the commuted value of the employee's pension entitlement is paid to the employee's estate.

(vii) Termination benefits

On termination of employment, an employee may elect to receive a refund of the employee's own contributions with interest or, if the employee has at least five years pensionable service, may elect to receive a deferred pension or commuted value.

(viii) Indexing

Effective October 1, 2002 and each October 1 thereafter the amount of a pension or survivor benefit paid to an individual who has reached the age of 65 will be adjusted by 60% of the Consumer Price Index for Canada for the previous calendar year as published by Statistics Canada, to a maximum of 1.2% of the annual pension or survivor benefit.

(b) Teachers' Pension Plan

(i) General

The Plan is a contributory defined benefit pension plan covering teachers employed by school boards or the Province of Newfoundland and Labrador and full-time employees of the Newfoundland and Labrador Teachers' Association.

The Plan is comprised of two components, a Registered Plan, which provides registered pension benefits allowable under the *Income Tax Act* (Canada), and a Supplementary Plan, which provides benefits in excess of the *Income Tax Act* (Canada) maximum benefit limits. These financial statements include only amounts that pertain to the Registered Plan. Amounts that pertain to the Supplementary Plan are included within the accounts of the Consolidated Revenue Fund.

Authority and description (cont.)

(b) Teachers' Pension Plan (cont.)

(ii) Employee contributions

Employee contributions are equal to 9.35% of salary, up to the maximum allowed under the *Income Tax Act* (Canada). Amounts in excess of the maximum allowed are paid to the Supplementary Plan.

(iii) Accrued service pensions

A service pension is available from the Registered Plan based on $1/45^{th}$ of the member's best five years average salary times years of pensionable service prior to January 1, 1991, plus 2% of the member's best five years average salary times years of pensionable service after January 1, 1991. When a member who retired after August 31, 1998 reaches age 65, this pension is reduced by 0.6% of the member's best five years average salary up to average YMPE times years of pensionable service after April 1, 1967. The calculated amount shall not exceed the maximum allowable benefit as determined under the *Income Tax Act* (Canada).

Where the calculated amount does exceed the maximum allowable benefit as determined under the *Income Tax Act* (Canada), a vested member who is no longer an employee can receive a pension from the Supplementary Plan. The total pension received from both the Registered Plan and the Supplementary Plan equals the amount calculated based on $1/45^{th}$ of the member's best five years average salary times years of pensionable service prior to January 1, 1991, plus 2% of the member's best five years average salary times years of pensionable service after January 1, 1991.

(iv) Disability pensions

A disability pension equal to the accrued service pension is available on permanent incapacity at any age with a minimum of five years pensionable service.

(v) Survivor pensions

A survivor pension of 60% of the member's accrued service pension is paid to the surviving principal beneficiary (and on the surviving principal beneficiary's death, to dependent children) following the death of a pensioner, a deferred pensioner or an employee with at least five years pensionable service.

Authority and description (cont.)

(b) Teachers' Pension Plan (cont.)

(vi) Pre-retirement death benefits

Where an employee with at least five years pensionable service dies before receiving a pension and a survivor benefit is payable, the surviving principal beneficiary may elect to receive either the survivor benefit, or the greater of the commuted value of the survivor benefit and the commuted value of the employee's pension entitlement.

Where an employee with at least five years pensionable service dies before receiving a pension and there is no surviving principal beneficiary the commuted value of the employee's pension entitlement is paid to the employee's estate.

(vii) Termination benefits

On termination of employment, a teacher may elect to receive a refund of the teacher's own contributions with interest or, if the teacher has at least five years pensionable service, may elect to receive a deferred pension or commuted value.

(viii) Indexing

Effective September 1, 2002 and each September 1 thereafter the amount of a pension or survivor benefit paid to an individual who has reached the age of 65 will be adjusted by 60% of the Consumer Price Index for Canada for the previous calendar year as published by Statistics Canada, to a maximum of 1.2% of the annual pension or survivor benefit. This provision only applies to a pension or survivor benefit where the teacher to whom that pension or benefit relates retires after August 31, 1998.

(c) Uniformed Services Pension Plan

(i) General

The Plan is a contributory defined benefit pension plan covering members of the Royal Newfoundland Constabulary, warders at various Provincial correctional institutions, and some members of the St. John's Regional Fire Department.

The Plan is comprised of two components, a Registered Plan, which provides registered pension benefits allowable under the *Income Tax Act* (Canada), and a Supplementary Plan, which provides benefits in excess of the *Income Tax Act* (Canada) maximum benefit limits. These financial statements include only amounts that pertain to the Registered Plan. Amounts that pertain to the Supplementary Plan are included within the accounts of the Consolidated Revenue Fund.

Authority and description (cont.)

(c) Uniformed Services Pension Plan (cont.)

(ii) Employee contributions

Employee contributions are equal to 9.95% of the CPP basic exemption, plus 8.15% of the employee's salary between the CPP basic exemption and the YMPE under the CPP, plus 9.95% of the employee's salary in excess of the YMPE.

(iii) Accrued service pensions

A service pension is available based on the number of years of pensionable service times 2% of the member's best three years average salary. When a retired member reaches age 65, this pension is reduced by 0.6% of the member's best three years average salary up to average YMPE times years of pensionable service after April 1, 1967.

Employees may retire with an unreduced pension with 25 years of pensionable service.

Vested employees who have reached age 55 may retire with an actuarially reduced pension.

(iv) Disability pensions

A disability pension equal to the accrued service pension is available on permanent incapacity at any age with a minimum of five years pensionable service.

(v) Survivor pensions

A survivor pension of 60% of the member's accrued service pension is paid to the surviving principal beneficiary (and on the surviving principal beneficiary's death, to dependent children) following the death of a pensioner, a deferred pensioner or an employee with at least five years pensionable service. For grandfathered members, who died before January 1, 1997, the survivor pension is 55% of the member's accrued service pension.

(vi) Pre-retirement death benefits

Where an employee with at least five years pensionable service dies before receiving a pension and a survivor benefit is payable, the surviving principal beneficiary may elect to receive either the survivor benefit, or the greater of the commuted value of the survivor benefit and the commuted value of the employee's pension entitlement.

Where an employee with at least five years pensionable service dies before receiving a pension and there is no surviving principal beneficiary the commuted value of the employee's pension entitlement is paid to the employee's estate.

Authority and description (cont.)

(c) Uniformed Services Pension Plan (cont.)

(vii) Termination benefits

On termination of employment, an employee may elect to receive a refund of the employee's own contributions with interest or, if the employee has at least five years pensionable service, may elect to receive a deferred pension or the commuted value.

(d) Members of the House of Assembly Pension Plan

(i) General

The Plan is a contributory defined benefit pension plan for Members of the House of Assembly (MHAs). Members may elect not to participate in the Plan for their first term.

The Plan is comprised of two components, a Registered Plan, which provides registered pension benefits allowable under the *Income Tax Act* (Canada), and a Supplementary Plan, which provides benefits in excess of the *Income Tax Act* (Canada) maximum benefit limits. These financial statements include only amounts that pertain to the Registered Plan. Amounts that pertain to the Supplementary Plan are included within the accounts of the Consolidated Revenue Fund.

(ii) Member contributions

Members are required to pay 9% of their pensionable salary to the Registered Plan, up to the maximum allowed under the *Income Tax Act* (Canada). Amounts in excess of the maximum allowed are paid to the Supplementary Plan. Member contributions cease after seventeen years of service if elected before or during the 43rd General Assembly and after twenty years of service if elected since that time.

On December 22, 2009, the Province amended the *Members of the House of Assembly Retiring Allowances Act*. This amendment provided that for Members elected prior to January 1, 2010, their pensionable salary effective July 1, 2007 would be equal to 81.2% of the salary authorized to be paid to an MHA under section 11(1) of the *House of Assembly Accountability, Integrity and Administration Act*. The pensionable salary for Members elected after December 31, 2009 would be the salary authorized under subsection 11(1) of the *House of Assembly Accountability, Integrity and Administration Act*.

Authority and description (cont.)

(d) Members of the House of Assembly Pension Plan (cont.)

(iii) Calculation of allowances on retirement

A vested Member who is no longer an MHA or a minister may, on application and subject to eligibility criteria, receive an allowance as follows:

For Members elected for the first time before or during the 43rd General Assembly, the percentage is calculated at 5% for each of the first ten years, 4% for each of the next five years, 2.5% for each of the next two years and 2% for each year of other service. Ministers receive an additional allowance calculated similarly and based on service and salary as a Minister (excluding Member's salary).

For Members elected for the first time after the 43rd General Assembly and prior to January 1, 2010, the percentage is 5% for each of the first ten years, 2.5% for each of the next ten years, and 2% for each year of other service.

On December 22, 2009, the Province amended the *Members of the House of Assembly Retiring Allowances Act*. These amendments provided for a new benefit accrual rate and new eligibility criteria for Members first elected to the House of Assembly after December 31, 2009. The annual accrual benefit rate for the new Member would be 3.5% to a maximum of 20 years service. The new Member would have to reach age 55 before being eligible for an unreduced pension. A new Member who retires between the ages of 50 and 54 would be eligible for a pension that would be reduced by 6% for each year that the Member is under the age of 55.

These allowances are paid as follows:

Under the Registered Plan the allowance is the product of 2% of MHA's and minister's salary for the best three calendar years. When a Member reaches age 65, the amount of the registered allowance is reduced by 0.6% of the Member's average YMPE times years of service between January 1, 1998 and December 31, 2004. The amount of the registered allowance shall not exceed the maximum allowable benefit as determined under the *Income Tax Act* (Canada).

Where the calculated allowance does exceed the maximum allowable benefit as determined under the *Income Tax Act* (Canada), a vested Member who is no longer an MHA or a minister can receive an allowance from the Supplementary Plan. The Member's supplementary allowance is reduced by the amount of his or her registered allowance. The annual allowance is based on a percentage of the average of the Member's pensionable salary for the best three calendar years. When a Member reaches age 65, the amount of the supplementary allowance is reduced by 0.6% of the Member's average YMPE times years of service after April 1, 1967 (service between January 1, 1998 and December 31, 2004 excluded).

Authority and description (cont.)

(d) Members of the House of Assembly Pension Plan (cont.)

(iv) Disability allowance

A disability allowance equal to the amount of the registered allowance the Member would have been eligible to receive at 65 years of age is available if a Member becomes permanently disabled. Additional supplementary benefits are also available on disability.

(v) Survivor benefits

A survivor benefit equal to 60% of the Member's registered allowance that he or she would have received had he or she reached age 65 on the date of death is paid to the surviving principal beneficiary.

(vi) Pre-retirement death benefits

If a Member dies before receiving an allowance and a survivor benefit is payable, the surviving principal beneficiary may elect to receive the survivor benefit, or the greater of the commuted value of the survivor benefit and the commuted value of the Member's entitlement. Where a survivor pension is not payable, the commuted value of the pension entitlement is paid to the deceased plan Member's estate.

(vii) Termination benefits

A Member who is no longer an MHA or a minister and who has been elected to only one general assembly or who has less than five years of service may elect to receive a refund of his or her contributions with interest.

A vested Member who is no longer an MHA or a minister may, subject to eligibility criteria, elect to transfer the commuted value of his or her entitlement under the Registered Plan to another approved retirement arrangement, or receive a deferred registered allowance. Also, the Member may receive a lump sum payment of his or her entitlement under the Supplementary Plan, or receive a deferred supplementary allowance.

Authority and description (cont.)

(e) Provincial Court Judges' Pension Plan

(i) General

The Plan is a contributory defined benefit pension plan covering all Provincial Court judges appointed on or after April 1, 2002, and to a judge who elected on or before April 1, 2002 to join the Plan.

The Plan is comprised of two components, a Registered Plan, which provides registered pension benefits allowable under the *Income Tax Act* (Canada), and a Supplementary Plan, which provides benefits in excess of the *Income Tax Act* (Canada) maximum benefit limits. These financial statements include only amounts that pertain to the Registered Plan. Amounts that pertain to the Supplementary Plan are included within the accounts of the Consolidated Revenue Fund.

(ii) Judges' contributions

Judges are required to pay 9% of their pensionable salary to the Registered Plan, up to the maximum allowed under the *Income Tax Act* (Canada). Amounts in excess of the maximum allowed are paid to the Supplementary Plan. Judges' contributions cease when they have accrued and paid contributions for twenty years of pensionable service.

(iii) Calculation of allowances on retirement

The annual amount of the allowance paid to a vested judge on normal retirement is the product of 3.33% of his or her annual salary immediately prior to ceasing to be a judge, multiplied by the number of years of service as a judge, to a maximum of 20 years.

The annual amount of the allowance paid from the Registered Plan to a vested judge on normal retirement is the product of 2% of his or her annual salary immediately prior to ceasing to be a judge, multiplied by the number of years of service as a judge, to a maximum of 20 years. The amount shall not exceed the maximum allowable benefit as determined under the *Income Tax Act* (Canada). The remaining allowance is paid from the Supplementary Plan.

Normal retirement date is the first day of the month following the judge's 65th birthday.

(iv) Survivor benefits

A survivor benefit equal to 60% of the pensioner's or judge's registered allowance that he or she would have received had he or she reached age 65 on the date of death is paid to the surviving principal beneficiary.

Authority and description (cont.)

(e) **Provincial Court Judges' Pension Plan (cont.)**

(v) Pre-retirement death benefits

If a judge dies before receiving an allowance and a survivor benefit is payable, the surviving principal beneficiary may elect to receive the survivor benefit, or the greater of the commuted value of the survivor benefit and the commuted value of the judge's entitlement. Where a survivor pension is not payable, the commuted value of the entitlement is paid to the deceased judge's estate.

(vi) Termination benefits

A judge who has stopped serving as a judge and who has less than two years of judge's service may elect to receive a refund of his or her contributions with interest.

A judge who has at least two years of judge's service may, subject to eligibility criteria, elect to transfer the commuted value of his or her entitlement under the Registered Plan to another approved retirement arrangement, receive a lump sum payment of his or her entitlement under the Supplementary Plan, or receive a deferred allowance.

(vii) Indexing

Effective October 1, 2002 and each October 1 thereafter, the amount of the allowance or survivor benefit paid to an individual who has reached the age of 65 shall be adjusted by 60% of the Consumer Price Index for Canada for the previous calendar year as published by Statistics Canada, to a maximum of 1.2% of the annual allowance or survivor benefit.

1. Summary of significant accounting policies

Outlined below are the significant accounting policies followed.

(a) Basis of Presentation

The Fund's management prepares financial statements in accordance with the requirements of the Chartered Professional Accountants Canada (CPA Canada) Handbook Section 4600 - Pension Plans. This standard is the basis for Canadian accounting standards for pension plans. The recognition and measurement of the Fund's assets and liabilities are consistent with the requirement of CPA Canada Handbook Section 4600.

1. Summary of significant accounting policies (cont.)

(a) Basis of Presentation (cont.)

CPA Canada Section 4600 requires that in selecting or changing accounting policies that do not relate to its investment portfolio or pension obligations, a pension plan shall comply on a consistent basis with either International Financial Reporting Standards in Part I of the CPA Canada Handbook, or Accounting Standards for Private Enterprises in Part II of the CPA Canada Handbook, to the extent that those standards do not conflict with the requirements of Section 4600. The Fund has chosen to comply, on a consistent basis, with the Accounting Standards for Private Enterprises in Part II of the CPA Canada Handbook, hereafter referred to as "ASPEs".

(b) Functional and presentation currency

The financial statements are presented in Canadian dollars, which is the Fund's functional currency.

(c) Measurement uncertainty

The preparation of the financial statements, in conformity with Canadian generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and items reported on the statement of financial position and the statement of changes in net assets available for benefits at the date of the financial statements. The major estimates used by management in preparing the financial statements relate to the valuations and classification of investments, as well as assumptions used in the calculation of pension obligations. Actual results could differ from these estimates, and the impact of any such differences will be recorded in future periods.

(d) Investments

The Fund's investments consist of the following major assets classes: public equities, interest bearing investments such as treasury bills, bonds, mortgages and real estate.

Investments are classified as held-for-trading. All investment transactions are recorded at the point upon which the risks and rewards of ownership are transferred. Purchases and sales of publicly traded investments are recorded as of the trade date and are stated at fair value as at year-end. Fair value is an estimate of 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.

Short-term notes and deposits are valued at book value which approximates market value.

Bonds and debentures are valued at the mean or the average price at the valuation date.

1. Summary of significant accounting policies (cont.)

(d) Investments (cont.)

Publicly traded equities are valued at the last board lot trade for a given stock. In instances where the quoted stock has not been traded on the valuation date, the price of the last board lot traded price is quoted.

Pooled funds are valued at the unit values supplied by the pooled fund administrator, which represent the Fund's proportionate share of underlying net assets at fair values determined using closing market prices.

The Fund invests in real estate through its 100% owned subsidiary, Newvest Realty Corporation. The fair value of this investment is shown as a real estate equity investment.

(e) Investment income

Investment income is allocated proportionately to the pension plans under the Fund based on the asset value held in the pension plan account.

Investment income (loss) is reflected in investment activities and includes the following:

(i) Dividend income which is recognized as of the date of record for North American equities, and as of the date of receipt for non-North American equities.

(ii) Bank interest and interest on bonds and debentures, short-term notes and deposits.

(iii) Real estate income which includes dividends received and unrealized gains and losses.

(iv) Foreign exchange gains and losses.

(v) Gains and losses that have been realized on disposal of investments.

(vi) Unrealized gains and losses which reflect the change in fair value of investments held at the end of the year.

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

(f) Accrued pension benefits and accrued benefits obligation

The value of accrued pension benefits is based on a projected accrued benefits method actuarial valuation prepared triennially by an independent firm of actuaries. This accrued benefits obligation is measured in accordance with accepted actuarial methods, using actuarial assumptions and methods adopted by the Province for the purpose of establishing the long-term funding requirements. The actuarial valuation included in the financial statements is consistent with the valuation for funding purposes. In between valuations, the value of accrued benefits is extrapolated annually from these valuations.

(g) Foreign currency translation

Transactions denominated in foreign currencies are translated into Canadian dollars at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into Canadian dollars at the exchange rate at that date.

Foreign currency differences arising on retranslation are recognized in the statement of changes in net assets available for benefits as a change in market value of the investment.

(h) Surplus/deficit

For financial statement reporting, the surplus/deficit of the Plans are based on the difference between the fair value of the Plans' net assets available for benefits and the Plans' accrued benefits obligation. For funding purposes, the Plans' surplus/deficit is based on the difference between the Plans' value of net assets and the actuarial value of the Plans' accrued benefits obligation.

(i) Contributions

Contributions from employers and members due to the Plans at the end of the year are recorded on an accrual basis. Service purchases that include, but are not limited to leaves of absence, periods of reduced accrual and transfer from other pension plans are recorded and service is credited when the signed contract to purchase is received.

(j) Benefits

Benefit payments to retired members are recorded as they are due and paid, twice monthly. Commuted value payments and transfers to other pension plans are recorded when paid. Accrued benefits from members are recorded as part of the accrued pension obligation.

1. Summary of significant accounting policies (cont.)

(k) Administrative Expenses

Administrative expenses are incurred for direct pension administration and external investment management and are recorded on an accrual basis. Direct pension administration expenses represent expenses to provide direct services to plan members and employers and include actuarial consulting, disability pension adjudication and audit fees. External investment management expenses represent payments to the investment managers. These are allocated between the Plans on a pro rata basis, based on the balance of the assets in the individual plans as a percentage of the total value of the combined plans.

(l) Cash

Cash includes cash on hand and balances with banks.

2. Investments

(a) Investment portfolio

The fair value of investments relative to the cost is summarized in the following table:

	As at December 31, 2014			As at December 31, 2013		
	Assets	**%**	**Cost**	Assets	%	Cost
	(000's)		(000's)	(000's)		(000's)
Money Market	**$ 103,396**	**1.2**	**$ 103,387**	$ 143,530	1.8	$ 143,528
Fixed Income						
Canadian	**1,545,209**	**18.4**	**1,496,478**	1,452,266	18.6	1,457,573
US	**13,327**	**0.2**	**11,459**	5,264	0.1	5,325
Equities						
Canadian	**2,834,515**	**33.8**	**2,309,613**	2,692,641	34.5	2,143,031
US	**2,141,479**	**25.5**	**1,633,587**	1,829,876	23.4	1,385,510
Global	**1,499,579**	**17.9**	**1,292,934**	1,453,813	18.6	1,181,211
Real estate	**249,842**	**3.0**	**184,878**	234,922	3.0	169,438
Total	**$ 8,387,347**	**100**	**$ 7,032,336**	$ 7,812,312	100	$ 6,485,616

2. Investments (cont.)

(b) Fair value measurement

Financial instruments are classified according to the following fair value hierarchy that reflects the significance of inputs used in determining the fair values.

- Level 1: Fair value is based on inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities. Level 1 primarily includes publicly listed investments.

- Level 2: Fair value is based on valuation methods that make use of inputs other than quoted prices included in Level 1, that are observable for the asset or liability, either directly or indirectly, including inputs in markets that are not considered to be active. Level 2 primarily includes fixed income securities not actively traded on a public exchange, public equities not traded in an active market and investments in pooled funds.

- Level 3: Fair value is based on valuation methods where inputs that are based on non-observable market data have a significant impact on the valuation. Level 3 primarily includes private market investments such as real estate, valued based on discounted future cash flow models which reflect assumptions that a market participant would use when valuing such an asset or liability.

Investments based on the valuation level within the fair value hierarchy are as follows:

As at December 31, 2014	Level 1	Level 2	Level 3	Total
	(000's)	(000's)	(000's)	(000's)
Money Market				
Canadian	$ -	$ 103,305	$ -	**$ 103,305**
US	-	91	-	**91**
Fixed Income				
Canadian	-	1,545,209	-	**1,545,209**
US	-	13,327	-	**13,327**
Equities				
Canadian	2,422,253	412,262	-	**2,834,515**
US	2,140,459	-	1,020	**2,141,479**
Global	1,499,191	-	388	**1,499,579**
Real estate	-	-	249,842	**249,842**
Total	**$ 6,061,903**	**$ 2,074,194**	**$ 251,250**	**$ 8,387,347**

2. Investments (cont.)

(b) Fair value measurement (cont.)

As at December 31, 2013	Level 1 (000's)	Level 2 (000's)	Level 3 (000's)	Total (000's)
Money Market				
Canadian	$ -	$ 143,396	$ -	$ 143,396
US	-	134	-	134
Fixed Income				
Canadian	-	1,452,266	-	1,452,266
US	-	5,264	-	5,264
Equities				
Canadian	2,623,990	68,651	-	2,692,641
US	1,829,876	-	-	1,829,876
Global	1,453,813	-	-	1,453,813
Real estate	-	-	234,922	234,922
Total	$ 5,907,679	$ 1,669,711	$ 234,922	$ 7,812,312

During the year, there have been no transfers between Level 1, Level 2, and Level 3.

The following table shows the changes in the fair value measurement in Level 3 of the fair value hierarchy:

	(000's)
Fair value, December 31, 2013	**$ 234,922**
Acquisitions	23,769
Dispositions	(4,706)
Realized gain/loss	(2,214)
Net change in unrealized gain/loss	(521)
Fair value, December 31, 2014	**$ 251,250**

2. Investments (cont.)

(c) Securities lending

The Fund participates in a securities lending program whereby it lends securities in order to enhance portfolio returns. The securities lending program requires collateral in cash, high-quality debt instruments or securities. Collateral transactions are conducted under terms that are usual and customary in standard securities lending programs. In the absence of an event of default, the same securities or equivalent securities must be returned to the counterparty at the end of the contract.

The fair values of the allocated securities and collateral associated with the securities lending program as at December 31 are as follows:

	2014	2013
	(000's)	(000's)
Securities lent	**$ 2,319,407**	$ 1,539,181
Securities contractually receivable	**$ 2,444,354**	$ 1,642,086

3. Investment income

(a) Investment income for the year ended December 31 is as follows:

	2014	2013
	(000's)	(000's)
Interest income	**$ 57,521**	$ 46,088
Dividend income	**181,129**	150,068
Security lending income	**3,997**	2,829
Commission recapture income	**370**	277
	243,017	199,262
Net realized gains	**654,400**	376,618
Net unrealized gains	**28,315**	875,369
Investment income	**$ 925,732**	$1,451,249

3. Investment income (cont.)

(b) Investment income by asset mix, for the year ended December 31 is as follows:

	Investment income (000's)	Gain on sale of investments (000's)	Current period change in market value of investments (000's)	2014 Total (000's)	2013 Total (000's)
Canadian equities	$ 68,127	$ 263,172	$ (24,709)	**$ 306,590**	$ 501,444
Foreign equities	103,472	378,181	(2,430)	**479,223**	936,629
Bonds and debentures	54,164	13,045	55,966	**123,175**	(12,413)
Short term notes & deposits	7,724	2	8	**7,734**	4,009
Real estate	9,530	-	(520)	**9,010**	21,580
Total	**$ 243,017**	**$ 654,400**	**$ 28,315**	**$ 925,732**	$1,451,249

(c) Investment returns

The Fund's investment returns gross of fees as at December 31 are shown by asset class in the table below.

	2014 (%)	2013 (%)
Canadian equity	**11.75**	22.67
Global equity	**14.16**	33.94
Fixed income	**8.48**	(0.80)
Real estate	**3.87**	9.36
Total portfolio return	**12.00**	22.36

The Fund's net return after all investment management costs for the year ended December 31, 2014 was 11.76% (2013 - 22.13%).

4. Investment risk management

Risk management relates to the understanding and active management of risks associated with all areas of the business and the associated operating environment. The use of financial instruments exposes the Fund to credit and liquidity risks, interest rate volatility, and market risks including foreign exchange and market price fluctuations and volatility. The Fund has policies and operating procedures that establish an asset mix among equity, fixed income and real estate investment, require diversification of investments within categories, and set limits on the size of exposure to individual investment and counterparties. Trustee oversight, procedures and compliance functions are incorporated into Fund processes to achieve consistent controls and mitigate operational risk.

(a) Interest rate risk

Interest rate risk refers to the fact that the Fund's financial position will change with market interest rate changes, as fixed income securities are sensitive to changes in nominal interest rates. Interest rate risk is inherent in the management of a pension plan due to prolonged timing differences between cash flows related to the Fund's assets and cash flows related to the Fund's liabilities. The fixed income portfolio has guidelines on concentration, duration and distribution which are designed to partially mitigate the risks of interest rate volatility.

The fair value of the Fund is affected by short term changes in nominal interest rates. Pension liabilities are exposed to the long term expectation of rate of return on the investments, as well as expectations of inflation and salary escalation.

The term to maturity classifications of interest bearing investments, based upon the contractual maturity of these securities, as at December 31 are as follows:

	2014	2013
	(%)	(%)
Within 1 year	**13.2**	13.6
Short (1 - 5 years)	**29.0**	34.3
Medium (5 - 10 years)	**23.8**	23.9
Long (10+ years)	**34.0**	28.2
Total	**100.0**	100.0

Assuming a parallel change in the long and short-term yields, a 1% increase in interest rates would have the effect of decreasing the fair value of the Fund's fixed income investments by approximately $105.6 million or 6.75% (2013 - $86.1 million or 5.89%).

4. Investment risk management (cont.)

(b) Market price risk

Market price risk is the risk of fluctuation in market values of investments from influences specific to a particular investment or from influences on the market as a whole. All changes in market conditions will directly result in an increase (decrease) in net assets available for benefits. Market price risk is managed by the Fund through the construction of a diversified portfolio of instruments traded on various markets and across various industries. If equity market indices (S&P/TSX and MSCI ACWI and their sectors) declined by 10% and all other variables are held constant, the potential loss to the Fund would be approximately $647.6 million, or 7.72% (2013 - $597.6 million or 7.65%).

(c) Credit risk

Credit risk is the risk that the issuer of a debt security or counterparty to a contract is unable to fulfill its financial obligation and causes the other party to incur a loss.

Fixed income portfolio

Credit risk in the fixed income portfolio is monitored by evaluating the Fund's exposure in two ways: by sector (government versus corporate) and by credit quality.

The Fund is exposed to credit risk from the following interest earning investments, classified by sector as at December 31:

	2014	2013
	(%)	(%)
Federal government	**14.4**	21.4
Provincial government	**25.6**	20.3
Municipal government	**1.2**	1.4
Corporate	**55.6**	52.3
Other	**3.2**	4.6
Total	**100.0**	100.0

4. Investment risk management (cont.)

(c) Credit risk (cont.)

The Fund's concentration risk by credit rating as at December 31 is as follows:

	2014	2013
	(%)	(%)
AAA to A-	**69.3**	67.1
BBB to BBB-	**12.0**	13.6
BB+ and below	**0.4**	0.8
Not rated	**18.3**	18.5
Total	**100.0**	100.0

Real estate

Real estate investment managers manage risk through monthly monitoring of tenant performance and arrears. Tenant exposure is managed by limiting concentration to a specific economic sector and geographic area. Transactions that involve assuming a new tenant exposure are vetted by an appropriate due diligence and approval process.

Securities lending

The Fund lends securities for a fee to approved borrowers. High quality collateral is provided by borrowers to alleviate the credit risk. Regular reporting of the securities lending program ensure that its various components are continuously being monitored.

(d) Foreign currency risk

Foreign currency exposure arises through holdings of securities and units in pooled funds in non-Canadian assets. Fluctuations in the relative value of the Canadian dollar against these foreign currencies can result in a positive or a negative effect on the fair value of the investments. The Fund does not take an active approach such as currency hedging to managing this risk, but rather the currency risk is managed through the diversified nature of the overall portfolio. In addition, the investment managers of the Fund are given flexibility through their mandate to periodically hedge currency for opportunistic or defensive purposes.

4. Investment risk management (cont.)

(d) Foreign currency risk (cont.)

The Fund's unhedged currency exposure from net investment assets as at December 31 is summarized in the following table:

	2014	2013
	(%)	(%)
Canadian dollar	**56.4**	57.8
US dollar	**25.7**	23.6
Euro	**4.6**	4.2
British pound	**3.4**	3.9
Other Asia/Pacific currencies	**3.7**	3.7
Other European currencies	**3.0**	3.2
Japanese yen	**2.2**	2.7
Other currencies *	**1.0**	0.9
Total	**100.0**	100.0

* Other currencies include Africa, Middle East and Latin America

A 10% increase in the value of the Canadian dollar in relation to all other foreign currencies, with all other variables held constant, would result in an unrealized investment loss of $363.6 million, or 4.32% (2013 - $331.2 million, or 4.22%).

(e) Liquidity risk

Liquidity risk corresponds to the Fund's ability to meet its financial obligations as they come due with sufficient and readily available cash resources. Cash obligations are fulfilled from contributions to the Fund, cash income of the Fund and planned dispositions of Fund assets as required. Cash requirements of the Fund are reviewed on an ongoing basis to provide for the orderly availability of resources to meet the financial obligations. In general, the Fund's investments in cash and cash equivalents, debt and public equities are expected to be highly liquid and are invested in securities that are actively traded.

5. Capital management

The capital of the Fund is defined as the net assets available for benefits. The Fund was established as a vehicle to invest employee and employer pension plan contributions in the capital markets with a long-term goal to achieve investment returns. The main objective of the Fund is to secure promised pension obligations as they come due, and the secondary objective is to minimize employer long-term contributions and manage the variability of employer contributions.

The Fund is sponsored by the Government of Newfoundland and Labrador, represented by the Minister of Finance who is Trustee of the Fund. The Trustee has appointed the Pension Investment Committee (PIC) to review, monitor, administer and supervise all investment activities of the Fund.

Portfolio Management

The Fund utilizes external investment management firms to invest the assets of the Fund. Each investment manager is selected through a disciplined process to ensure a good fit with the investment structure and objectives of the Fund. As at December 31, 2014, the external investment fund management group was comprised of the following firms:

Baillie Gifford Overseas Limited
Bentall Kennedy
Beutel, Goodman & Company Ltd.
Blackrock Asset Management Canada Limited
Connor, Clark & Lunn Investment Management Ltd.
Global Thematic Partners, LLP
Phillips, Hager & North Investment Management Ltd.
(Pyramis) Fidelity Investments Canada Ltd.
QV Investors Inc.
Sprucegrove Investment Management Ltd.
T. Rowe Price
Fiera Capital Corporation
Wellington Management Company, LLP

5. Capital management (cont.)

In addition, CIBC Mellon Global Securities Services provides all custodial and administrative services for the Fund, and Russell Investments provides investment counseling services to the Fund.

The long-term asset mix policy of the Fund is as follows:

Canadian equity	35%
Global equities	40%
Fixed income	20%
Real estate	5%

The asset mix policy was adopted after evaluating the potential impact of alternative policies on benefit security and employer contributions. Factors evaluated included the Plans' going-concern and solvency funded ratios, demographics, cash flow requirements, actuarial assumptions, benefit levels, and liquidity requirements. The expected real return of the Fund's investment policy is 4.25% annualized over the long term.

6. Administrative costs

Administrative costs are direct costs of the Department of Finance, Pensions Division and are allocated to the various pension plans based on the previous month's equity balance related to the total Fund. Any direct costs related to a specific plan are charged accordingly. Administrative costs for the year ended December 31 were comprised as follows:

	2014 (000's)	2013 (000's)
Investment management fees	$ 20,186	$ 17,928
Custodian fees	1,152	1,017
Investment consulting fees	225	199
Actuarial consulting fees	121	167
	21,684	19,311
Salaries and benefits	2,662	2,592
Computer charges	204	154
Other expenses	375	306
Medical and professional fees	139	173
	$ 25,064	$ 22,536

7. Accrued benefits obligation

Actuarial assumptions

The actuarial assumptions used in determining the value of the accrued benefits obligation of $13.0 billion reflect management's best estimate of future economic events and involve both economic and non-economic assumptions. The non-economic assumptions include considerations such as mortality as well as withdrawal and retirement rates. The primary economic assumptions include the discount rate, salary escalation and the inflation rate. The discount rate is based on the target asset mix and expected real returns for each asset class. The inflation rate is derived from the Bank of Canada's long term investment range. The salary escalation rate incorporates the inflation rate assumption and long term expectation of growth in real wages. A summary of the primary economic assumptions as at December 31 is as follows:

	PSPP		TPP		USPP		MHAPP		PCJPP	
	2014	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Discount rate	6.75%	6.75%	6.75%	6.75%	6.75%	6.75%	6.75%	6.75%	6.50%	6.50%
Salary escalation rate	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	3.25%	3.25%	3.50%	3.50%
Inflation rate	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%

8. Actuarial valuations

Triennial actuarial valuations are performed by the actuarial consulting firm of Morneau Shepell. Relevant reporting dates for the various plans are summarized below.

Pension Plan	Effective date of valuation used to determine pension obligation	Date of next required valuation
Public Service	December 31, 2012	December 31, 2015
Teachers'	August 31, 2012	August 31, 2015
Uniformed Services	December 31, 2011	December 31, 2014
Members of the House of Assembly	December 31, 2012	December 31, 2015
Provincial Court Judges'	December 31, 2013	December 31, 2016

9. Funding policy

In accordance with legislation, the Province's funding requirement is to match employee contributions for current service. Matching of contributions may also occur for certain other types of prior service, which may be purchased under contract.

Also, the Province is required to pay into the Fund amounts required to cover any actual plan deficiencies which may occur. A plan deficiency occurs when pension payments, refunds of contributions and administrative costs exceed a plan's fund balance.

9. Funding policy (cont.)

In June 2012, the Province approved a series of special monthly payments to the Fund for 2012-13 totaling $294 million to improve the funded status of the Public Service Pension Plan, Teachers' Pension Plan, and Uniformed Services Pension Plan. The amount of the special payments was equal to one third of the surplus for the 2011-12 fiscal year for the Province and would be allocated to the three plans based on the ratio of the accrued pension obligations by plan to the total pension obligations of the three plans as estimated at December 31, 2011. In 2012, the special monthly payments totaled $90 million. In 2013, the balance of $204 million was paid to the Fund.

10. Teachers' Indexing Fund

The total fund balance relating to the Teachers' Pension Plan is comprised of the regular fund balance and the fund balance of the Teachers' Indexing Fund. In accordance with the most recent Teachers' Collective Agreement, contributions required to fund the indexing benefit introduced as of September 1, 2002 shall be deposited to a separate account. As at December 31, 2014 the increase and decrease in the net assets of the Fund related to the Teachers' Indexing Fund and the closing balance, along with the closing balance of the Fund related to the Teachers' Regular Fund, are comprised as follows:

	2014 (000's)	2013 (000's)
Teachers' Indexing Fund:		
Increases in net assets		
Contributions	$ 7,767	$ 7,814
Investment income	14,223	20,209
	21,990	28,023
Decreases in net assets		
Pensions	(200)	(176)
Administrative costs	(383)	(312)
	(583)	(488)
Increase in net assets	21,407	27,535
Teachers' Indexing Fund balance, beginning of year	115,875	88,340
Teachers' Indexing Fund balance, end of year	137,282	115,875
Teachers' Regular Fund balance	2,827,568	2,712,448
Teachers' Pension Plan combined balance	$ 2,964,850	$ 2,828,323

11. Related party transactions

The following related party investments were held by the Fund as at December 31, 2014:

Description	Cost (000's)	Market Value (000's)
Province of Newfoundland and Labrador Debentures		
- Series maturing October 17, 2033	$ 5,803	$ 7,293
Newfoundland and Labrador Hydro Debentures		
- Maturing July 14, 2017	240	194
	$ 6,043	$ 7,487

Also, as indicated in Note 1, the Fund manages its real estate investments through Newvest Realty Corporation, a wholly-owned subsidiary incorporated under the provisions of the *Canada Corporations Act*. It is also registered under the *Corporations Act* of the Province of Newfoundland and Labrador. All shares of the Corporation are held by the Fund.

12. Pensioner and refund payroll

All plans, with the exception of the Provincial Court Judges' Pension Plan, provide for disability pensions payable in the event the plan member is certified to be totally and permanently disabled. As well, should an employee die in service, there is provision for the payment of the employee's entitlement to the estate. The following tables summarize disability pension payments and the payments to employees' estates upon pre-retirement death.

Disability Pensions ($000's)

Plan	Public Service	Teachers	Uniformed Services	Members of the House of Assembly	Provincial Court Judges
2014	24,263	9,852	919	-	-
2013	21,975	9,726	873	-	-

Payments on Pre-Retirement Death ($000's)

Plan	Public Service	Teachers	Uniformed Services	Members of the House of Assembly	Provincial Court Judges
2014	8,394	1,770	*	-	-
2013	6,707	1,614	-	-	-

* Figure not shown to protect confidentiality

13. Subsequent events

On December 11, 2014, the Province announced a Joint Sponsorship Agreement had been signed between the Government of Newfoundland and Labrador and the five major unions representing unionized members of the Public Service Pension Plan (PSPP). The purpose of this agreement was to establish the principles of the Joint Trusteeship as provided for in the September 2, 2014 PSPP Reform Agreement. On December 16, 2014, a bill entitled *An Act to Amend the Pensions Funding Act and the Public Service Pensions Act, 1991* was passed by the House of Assembly. The plan changes detailed in this legislation, including an increase in contribution rates and changes to eligibility requirements for pension benefits from the Public Service Pension Plan, came into effect on January 1, 2015.

On March 20, 2015, legislation was proclaimed by the Lieutenant-Governor in Council to establish the Public Service Pension Plan Fund (the PSPP Fund), and to create the trustee of the PSPP Fund, the PSPP Corporation (the Corporation), effective March 31, 2015. The assets of the Public Service Pension Plan of $5.6 billion contained in the Newfoundland and Labrador Pooled Pension Fund under the *Pension Funding Act* was transferred to the PSPP Fund. The affairs of the PSPP Fund will be managed by the new trustee, the Corporation. A service level agreement was signed between the Corporation and Government to allow Government to continue to administer the Fund for an interim period of 12 months and the responsibility for the accrued benefit obligation of the PSPP Fund of approximately $7.9 billion will now be shared between the two parties as per the Joint Sponsorship Agreement.

On April 9, 2015, the Province announced that it had reached an agreement in principle with the Newfoundland and Labrador Teachers Association (NLTA) that sustains the Teachers' Pension Plan (TPP) for the future and provides for a joint trusteeship. On June 23, 2015, legislation was proclaimed by the Lieutenant-Governor in Council to amend the *Teachers' Pension Act* to initiate pension reform measures, including an increase in contribution rates and the method of pension benefit and indexing calculation, effective September 1, 2015.

PROVINCIAL ADVISORY COUNCIL ON THE STATUS OF WOMEN - NEWFOUNDLAND AND LABRADOR

FINANCIAL STATEMENTS

MARCH 31, 2015

Management's Report

Management's Responsibility for the Provincial Advisory Council on the Status of Women – 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 Council members are responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and exercises these responsibilities through participation in Council meetings. The Council members review 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 Council, 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 Provincial Advisory Council on the Status of Women - Newfoundland and Labrador.

On behalf of the Provincial Advisory Council on the Status of Women - Newfoundland and Labrador.

Linda Ross

Linda Ross
President/CEO

AUDITOR
GENERAL
of Newfoundland and Labrador

INDEPENDENT AUDITOR'S REPORT

To the Council members
Provincial Advisory Council on the Status
of Women - Newfoundland and Labrador
St. John's, Newfoundland and Labrador

Report on the Financial Statements

I have audited the accompanying financial statements of the Provincial Advisory Council on the Status of Women - Newfoundland and Labrador which comprise the statement of financial position as at March 31, 2015, 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 Provincial Advisory Council on the Status of Women - Newfoundland and Labrador as at March 31, 2015, and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

TERRY PADDON, CPA, CA
Auditor General

June 24, 2015
St. John's, Newfoundland and Labrador

PROVINCIAL ADVISORY COUNCIL ON THE STATUS OF WOMEN - NEWFOUNDLAND AND LABRADOR
STATEMENT OF FINANCIAL POSITION

For the Year Ended March 31	2015	2014
FINANCIAL ASSETS		
Cash (Note 3)	$ 168,226	$ 167,370
Accounts receivable (Note 4)	5,477	17,866
	173,703	185,236
LIABILITIES		
Accounts payable and accrued liabilities (Note 5)	25,534	35,198
	25,534	35,198
Net financial assets	148,169	150,038
NON-FINANCIAL ASSETS		
Tangible capital assets, net (Note 6)	2,765	4,682
Prepaid expenses (Note 7)	7,609	11,687
	10,374	16,369
Accumulated surplus	$ 158,543	$ 166,407

Contractual obligations (Note 8)

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

Signed on behalf of the Council: Linda Ross **President/CEO** Kelly Power **Member**

PROVINCIAL ADVISORY COUNCIL ON THE STATUS OF WOMEN - NEWFOUNDLAND AND LABRADOR
STATEMENT OF OPERATIONS
For the Year Ended March 31

	2015 Budget	2015 Actual	2014 Actual
	(Note 12)		
REVENUES			
Province of Newfoundland and Labrador operating grant	$ 430,100	$ 430,100	$ 424,100
Interest	-	3,273	3,083
Ovations – ticket revenues (Note 10)	-	615	792
	430,100	433,988	427,975
EXPENSES (Note 11)			
Administration	394,950	389,272	388,833
Advisement of Government	25,500	27,648	23,526
Ovations (Note 10)	-	16,597	5,059
Public Awareness and Engagement	9,150	8,335	16,054
	429,600	441,852	433,472
Annual (deficit) surplus	500	(7,864)	(5,497)
Accumulated surplus, beginning of year	166,407	166,407	171,904
Accumulated surplus, end of year	$ 166,907	$ 158,543	$ 166,407

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

PROVINCIAL ADVISORY COUNCIL ON THE STATUS OF WOMEN - NEWFOUNDLAND AND LABRADOR
STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
For the Year Ended March 31

	2015 Budget (Note 12)	2015 Actual	2014 Actual
Annual (deficit) surplus	$ 500	$ (7,864)	$ (5,497)
Tangible capital assets			
Acquisition of tangible capital assets	(500)	(3,133)	(1,465)
Amortization of tangible capital assets	2,000	5,050	4,174
	1,500	1,917	2,709
Prepaid expenses			
Acquisition of prepaid expense	-	(7,609)	(11,687)
Use of prepaid expense	-	11,687	10,829
	-	4,078	(858)
(Decrease) increase in net financial assets	2,000	(1,869)	(3,646)
Net financial assets, beginning of year	150,038	150,038	153,684
Net financial assets, end of year	$ 152,038	$ 148,169	$ 150,038

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

PROVINCIAL ADVISORY COUNCIL ON THE STATUS OF WOMEN - NEWFOUNDLAND AND LABRADOR

STATEMENT OF CASH FLOWS

For the Year Ended March 31	2015	2014
Operating transactions		
Annual deficit	$ (7,864)	$ (5,497)
Adjustment for non-cash items		
Amortization of tangible capital assets	5,050	4,174
	(2,814)	(1,323)
Change in non-cash working capital		
Accounts receivable	12,389	43,898
Accounts payable and accrued liabilities	(9,664)	(64,844)
Prepaid expenses	4,078	(858)
Cash (applied to) provided from operating transactions	3,989	(23,127)
Capital transactions		
Cash used to acquire tangible capital assets	(3,133)	(1,465)
Cash applied to capital transactions	(3,133)	(1,465)
(Decrease) increase in cash	856	(24,592)
Cash, beginning of year	167,370	191,962
Cash, end of year	$ 168,226	$ 167,370

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

1. Nature of operations

The Provincial Advisory Council on the Status of Women - Newfoundland and Labrador (the Council) is a Crown corporation of the Province of Newfoundland and Labrador, established under the *Status of Women Advisory Council Act*. The purpose of the Council is to advise the Minister responsible for the Status of Women, the Government and the public on matters of interest and concern to women. Its affairs are managed by Council members appointed by the Lieutenant-Governor in Council.

The Council 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 Council 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. The Council does not prepare a statement of remeasurement gains and losses as the Council does not enter into relevant transactions or circumstances that are being addressed by the statement.

(b) Financial instruments

The Council's financial instruments recognized in the statement of financial position consist of cash, accounts receivable and accounts payable and accrued liabilities. The Council 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 Council subsequently measures all of its financial assets and financial liabilities at cost. Financial assets measured at cost include cash and accounts receivable. Financial liabilities measured at cost include accounts payable and accrued liabilities.

(c) Cash

Cash includes cash in the bank.

2. Summary of significant accounting policies (cont.)

(d) 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:

Furniture and equipment	5 years
Computer hardware and software	3 years
Leasehold improvements	5 years

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Council'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) Prepaid expenses

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

(f) Employee future benefits

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

During the year, there were significant changes made to the Public Service Pension Plan. The changes include: increases in contribution rates of between 2.15% and 3.25% of pensionable earnings; calculation of pension benefits, for service on or after January 1, 2015, using the average of the best six years of earnings rather than the average of the best five years of earnings; calculation of pension benefits, for service before January 1, 2015, using the higher of the average of the frozen best 5 years of earnings up to January 1, 2015, or the average of the best 6 years of earnings for all service rather than the average of the best five years of earnings; and increases in the minimum age and/or service requirements for early retirement with an unreduced pension benefit. Employees who are eligible, or become eligible, to retire on or before January 1, 2020, are exempt from increases in the minimum age and/or service requirements for early retirement with an unreduced pension benefit.

2. Summary of significant accounting policies (cont.)

(f) Employee future benefits (cont.)

The contribution of the Council to the plan is recorded as an expense for the year.

(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.

The Council recognizes the receipt of government transfers as revenue in the period the transfer is authorized and all eligibility criteria have been met, except when and to the extent that the transfer gives rise to an obligation that meets the definition of a liability for the Council. Government transfers consist of funding from the Province of Newfoundland and Labrador. Income attributable to financial instruments is reported in the statement of operations.

(h) Expenses

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

Transfers, which include grants and subsidies, 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 the useful life of capital 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.

3. Cash

	2015	2014
Cash	**$ 141,490**	$ 138,100
Designated cash - *Ovations* (Note 10)	**26,736**	29,270
	$ 168,226	$ 167,370

4. Accounts receivable

	2015	2014
Harmonized sales tax receivable - *Ovations* (Note 10)	$ -	$ 10,941
Harmonized sales tax receivable	5,477	6,085
Receivables - *Ovations* (Note 10)	-	840
	$ 5,477	$ 17,866

There is no allowance for doubtful accounts since all amounts are considered collectible.

5. Accounts payable and accrued liabilities

	2015	2014
Trade accounts payables and accruals	$ 14,808	$ 24,031
Accrued leave	8,931	11,167
Payables - *Ovations* (Note 10)	1,795	-
	$ 25,534	$ 35,198

6. Tangible capital assets

	Furniture and equipment	Computer equipment and software	Leasehold improvements	Total
Cost				
Balance, March 31, 2014	$ 35,262	$ 31,624	$ 3,272	$ 70,158
Additions	-	3,133	-	3,133
Disposals	-	-	-	-
Balance, March 31, 2015	35,262	34,757	3,272	73,291
Accumulated amortization				
Balance, March 31, 2014	33,959	28,805	2,712	65,476
Amortization expense	1,303	3,607	140	5,050
Disposals	-	-	-	-
Balance, March 31, 2015	35,262	32,412	2,852	70,526
Net book value, March 31, 2015	**$ -**	**$ 2,345**	**$ 420**	**$ 2,765**
Net book value, March 31, 2014	$ 1,303	$ 2,819	$ 560	$ 4,682

7. Prepaid expenses

	2015	2014
Rent	$ 3,807	$ 3,807
Workplace, Health, Safety and Compensation Commission	2,006	3,620
Professional fees	280	2,823
Insurance	943	896
Other	573	541
	$ 7,609	$ 11,687

8. Contractual obligations

In January 2013, the Council entered into a five year agreement for the lease of office space. Annual lease payments over the next three years are as follows:

2016	$ 48,477
2017	48,477
2018	16,159
	$ 113,113

9. Financial risk management

The Council recognizes the importance of managing significant risks and this includes policies, procedures and oversight designed to reduce the risks identified to an appropriate threshold. The risks that the Council is exposed to through its financial instruments are credit risk, liquidity risk and market risk. There was no significant change in the Council'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 Council's main credit risk relates to cash and accounts receivable. The Council's maximum exposure to credit risk is the carrying amounts of these financial instruments. The Council is not exposed to significant credit risk with its cash because this financial instrument is held with a Chartered Bank. The Council is not exposed to significant credit risk related to its accounts receivable. In addition, the Council has policies and procedures for the monitoring and collection of its accounts receivable so as to mitigate potential credit losses. There is no allowance for doubtful accounts since all amounts are considered collectible.

9. Financial risk management (Cont.)

Liquidity risk

Liquidity risk is the risk that the Council will be unable to meet its contractual obligations and financial liabilities. The Council manages liquidity risk by monitoring its cash flows and ensuring that it has sufficient resources available to meet its obligations and liabilities. The Council's exposure to liquidity risk relates mainly to its accounts payable and accrued liabilities and contractual obligations. The future minimum payments required from the Council in relation to its contractual obligations are outlined in Note 8.

Market risk

Market risk is the risk that the fair value of 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 Council is not exposed to significant foreign exchange, interest rate or other price risk.

10. *Ovations*

During the year ended March 31, 2015, the Council, as a member of an external steering committee, held follow-up *Ovations* events around women's leadership. The steering committee consisted of representatives from the Council, the Women's Policy Office, located in the Executive Council of the Government of Newfoundland and Labrador, businesses, the community and industry. The events were funded through cash that was remaining in the *Ovations* fund from the prior year, as well as through a fee charged to attendees of the events. Cash that will be remaining in the fund upon settlement of accounts receivable and accounts payable and accrued liabilities outstanding as at March 31, 2015, has been designated to be used for follow-up *Ovations* events around women's leadership.

10. *Ovations (Cont.)*

The following are details of revenues and expenses pertaining to the *Ovations* events which are included in the statement of operations of the Council:

	2014 Budget (Note 12)	2014 Actual	2013 Actual
REVENUES			
Ovations - ticket revenues	$ -	$ 615	$ 792
Interest	-	244	16
	-	859	808
EXPENSES (Note 11)			
Ovations events	-	16,597	5,059
	-	16,597	5,059
Annual (deficit) surplus	-	(15,738)	(4,251)
Accumulated surplus, beginning of year	41,051	41,051	45,302
Accumulated surplus, end of year	$ 41,051	$ 25,313	$ 41,051

11. Expenses by object

The following is a summary of expenses by object:

	2015 Budget (Note 12)	2015 Actual	2014 Actual
Amortization of tangible capital assets	$ 2,000	$ 5,050	$ 4,174
Grants and subsidies	200	8,578	2,450
Other	350	130	373
Professional fees	16,400	11,177	19,418
Rent	48,525	45,690	45,690
Salaries and benefits	321,900	321,211	311,052
Supplies and services	19,325	27,266	32,229
Travel related expenses	20,900	22,750	18,086
	$ 429,600	$ 441,852	$ 433,472

Included in the expenses by object are expenses pertaining to the *Ovations* events as noted below:

	2015 Budget (Note 12)	2015 Actual	2014 Actual
Professional fees	$ -	$ -	$ 1,597
Subsidies	-	8,474	-
Supplies and services	-	5,267	3,061
Travel related expenses	-	2,856	401
	$ -	$ 16,597	$ 5,059

12. 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 Council members.

13. Employee future benefits

The Council and its employees contribute to the Public Service Pension Plan in accordance with the *Public Service Pensions Act, 1991*. The plan is administered by the Public Service Pension Plan Corporation, 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 11.85% (2014 - 8.6%). The Council's contributions equal the employee contributions to the plan. The Council is not required to make contributions in respect of any actuarial deficiencies of the plan. Total pension expense for the Council for the year ended March 31, 2015, was $22,118 (2014 - $19,902).

14. Related party transactions

The Council receives operating grants from the Province of Newfoundland and Labrador. Operating grants received during the year totaled $430,100 (2014 - $424,100).

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

PROVINCIAL INFORMATION AND LIBRARY RESOURCES BOARD

FINANCIAL STATEMENTS

MARCH 31, 2015

Management's Report

Management's Responsibility for the Provincial Information and Library Resources Board 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 Provincial Information and Library Resources 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 Provincial Information and Library Resources Board.

On behalf of the Provincial Information and Library Resources Board.

Mr. Shawn Tetford Executive Director	Mr. Andrew Hunt, CPA, CGA Director of Financial Operations

AUDITOR GENERAL
of Newfoundland and Labrador

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Provincial Information and Library Resources Board
Stephenville, Newfoundland and Labrador

Report on the Financial Statements

I have audited the accompanying financial statements of the Provincial Information and Library Resources Board which comprise the statement of financial position as at March 31, 2015, the statements of operations, remeasurement gains and losses, 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 Provincial Information and Library Resources Board as at March 31, 2015, and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

TERRY PADDON, CPA, CA
Auditor General

July 8, 2015
St. John's, Newfoundland and Labrador

PROVINCIAL INFORMATION AND LIBRARY RESOURCES BOARD
STATEMENT OF FINANCIAL POSITION
March 31

	2015	2014
FINANCIAL ASSETS		
Cash	$ 3,237,290	$ 3,123,863
Accounts receivable (Note 3)	61,420	65,670
Due from the Province	127,925	236,700
Portfolio investments (Note 4)	65,492	64,234
	3,492,127	3,490,467
LIABILITIES		
Accounts payable and accrued liabilities (Note 5)	823,232	859,188
Employee future benefits (Note 6)	2,162,445	2,171,755
Deferred revenue (Note 7)	1,540,480	1,810,897
Obligation under capital lease (Note 9)	27,864	31,942
	4,554,021	4,873,782
Net debt	(1,061,894)	(1,383,315)
NON-FINANCIAL ASSETS		
Inventories held for use	80,121	87,279
Prepaid expenses	171,235	158,769
Tangible capital assets (Note 10)	2,004,136	2,220,835
	2,255,492	2,466,883
Accumulated surplus	$ 1,193,598	$ 1,083,568
Accumulated surplus is comprised of:		
Accumulated operating surplus	$ 1,151,598	$ 1,042,826
Accumulated remeasurement gains	42,000	40,742
	$ 1,193,598	$ 1,083,568

Contractual obligations (Note 8)
Trusts under administration (Note 11)

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

Signed on behalf of the Board: Colin Taylor — Chairperson; [signature] — Member

PROVINCIAL INFORMATION AND LIBRARY RESOURCES BOARD
STATEMENT OF OPERATIONS
For the Year Ended March 31

	2015 Budget (Note 13)	2015 Actual	2014 Actual
REVENUE			
Province of Newfoundland and Labrador			
Operating grant	$ 9,997,900	$ 10,025,825	$ 10,372,229
Early Literacy Program	-	309,518	545,317
Capital grant	320,000	322,595	159,372
Kinderstart Literacy Program	-	60,005	2,585
Miscellaneous	64,000	68,592	71,825
Fines and lost library materials	55,500	55,585	58,408
Interest	32,000	43,903	45,465
Dividend revenue	-	2,416	2,416
	10,469,400	10,888,439	11,257,617
EXPENSES (Note 15)			
Administration	2,343,468	2,192,743	2,331,029
Library Operations	6,237,184	6,163,700	6,061,089
Library Collection	1,586,811	1,435,223	1,496,414
Early Literacy	-	302,371	452,644
Kinderstart	-	60,005	2,585
Public Computer Access	303,937	250,021	319,234
Amortization	-	375,604	459,010
	10,471,400	10,779,667	11,122,005
Annual operating (deficit) surplus	(2,000)	108,772	135,612
Accumulated operating surplus, beginning of year	1,042,826	1,042,826	907,214
Accumulated operating surplus, end of year	$ 1,040,826	$ 1,151,598	$ 1,042,826

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

PROVINCIAL INFORMATION AND LIBRARY RESOURCES BOARD
STATEMENT OF REMEASUREMENT GAINS AND LOSSES

For the Year Ended March 31	2015	2014
Accumulated remeasurement gains, beginning of year	**$ 40,742**	$ 23,022
Unrealized gains attributable to:		
Portfolio investments	**1,258**	17,720
Accumulated remeasurement gains, end of year	**$ 42,000**	$ 40,742

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

PROVINCIAL INFORMATION AND LIBRARY RESOURCES BOARD
STATEMENT OF CHANGE IN NET DEBT
For the Year Ended March 31

	2015 Budget	2015 Actual	2014 Actual
	(Note 13)		
Annual operating surplus (deficit)	$ (2,000)	$ 108,772	$ 135,612
Changes in other non-financial assets			
Use of prepaid expenses	-	158,769	176,389
Acquisition of prepaid expenses	-	(171,235)	(158,769)
Net use of inventories held for use	-	7,158	(11,232)
	-	(5,308)	6,388
Changes in tangible capital assets			
Acquisition of tangible capital assets	-	(158,905)	(252,677)
Loss on disposal of tangible capital assets	-	-	2,314
Amortization of tangible capital assets	-	375,604	459,010
	-	216,699	208,647
Accumulated remeasurement gains	-	1,258	17,720
(Increase) decrease in net debt	(2,000)	321,421	368,367
Net debt, beginning of year	(1,383,315)	(1,383,315)	(1,751,682)
Net debt, end of year	$ (1,385,315)	$ (1,061,894)	$ (1,383,315)

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

PROVINCIAL INFORMATION AND LIBRARY RESOURCES BOARD
STATEMENT OF CASH FLOWS

For the Year Ended March 31	2015	2014
Operating transactions		
Annual operating surplus	$ 108,772	$ 135,612
Adjustment for non-cash items		
Amortization	375,604	459,010
Loss on disposal of capital assets	-	2,314
	484,376	596,936
Change in non-cash operating items		
Accounts receivable	4,250	22,094
Due from the Province	108,775	(62,088)
Accounts payable and accrued liabilities	(35,956)	(69,943)
Employee future benefits	(9,310)	(50,743)
Deferred revenue	(270,417)	(350,874)
Inventories held for use	7,158	(11,232)
Prepaid expenses	(12,466)	17,620
Cash provided from operating transactions	276,410	91,770
Capital transactions		
Acquisition of tangible capital assets	(158,905)	(252,677)
Cash applied to capital transactions	(158,905)	(252,677)
Financing transactions		
Repayments of obligations under capital lease	(4,078)	(4,078)
Cash applied to financing transactions	(4,078)	(4,078)
Increase (decrease) in cash	113,427	(164,985)
Cash, beginning of year	3,123,863	3,288,848
Cash, end of year	$ 3,237,290	$ 3,123,863

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

1. Nature of operations

The Provincial Information and Library Resources Board (the Board) operates under the authority of the *Public Libraries Act.* The purpose of the Board is to operate the public libraries in the Province. A majority of the members of the Board are appointed by the Lieutenant-Governor in Council. The Board reports to the Minister of Education and Early Childhood Development.

The reporting entity for the purpose of these financial statements is the Board's head office and divisional offices. These financial statements include expenditures for grants made to local libraries under the jurisdiction of the three divisional library boards detailed in the Schedule to the financial statements. Funds raised by local libraries in excess of the grants provided by the Board or any expenditures in excess of these grants are not reflected in these financial statements.

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 Canadian Public Sector Accounting Standards (CPSAS). These financial statements have been prepared by the Board's management in accordance with CPSAS for provincial reporting entities established by the Canadian Public Sector Accounting Board. Outlined below are the significant accounting policies followed.

(b) Financial instruments

The Board's financial instruments recognized in the statement of financial position consist of cash, accounts receivable, due from the Province, portfolio investments, accounts payable and accrued liabilities, and obligation under capital lease. 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 or amortized cost, except for portfolio investments in equity instruments that are quoted in an active market, which are measured at fair value. Financial assets measured at cost include cash, accounts receivable, and due from the Province. Financial liabilities measured at cost include accounts payable and accrued liabilities. Financial liabilities measured at amortized cost include obligation under capital lease.

2. Summary of significant accounting policies (cont.)

(b) Financial instruments (cont.)

The carrying values of cash, accounts receivable, due from the Province, 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 obligation under capital lease is considered to approximate market value.

The Board 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) Tangible capital assets

Tangible capital assets are recorded at cost, which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets. Cost includes overhead directly attributable to construction and development, as well as interest costs that are directly attributable to the acquisition or construction of the asset.

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 lower of the Board's rate for incremental borrowing or the interest rate implicit in the lease. Note 9 provides a schedule of repayments and amount of interest on the leases.

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

Buildings	40 years
Building improvements	10 years
Furniture and equipment	10 years
Motor vehicles	5 years
Computer equipment	3 years
Software	5 years
Assets under capital lease	10 years

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 Board's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the statement of operations.

Contributed tangible capital assets are recorded as revenue at their fair market value on the date of donation, except in circumstances where fair value cannot be reasonably determined, which are then recognized at nominal value. Transfers of tangible capital assets from related parties are recorded at carrying value.

(e) Inventories held for use

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

(f) Prepaid expenses

Prepaid expenses include subscriptions, insurance and licenses, and are charged to expenses over the periods expected to benefit from it.

(g) Employee future benefits

Employee future benefits include severance pay and accumulating non-vesting sick leave benefits.

(i) Severance is accounted for on an accrual basis and is calculated based upon years of service and current salary levels.

(ii) The cost of accumulating non-vesting sick leave benefits is actuarily determined using management's best estimates of long-term inflation rates, compensation increases, discount rate and remaining service life.

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

2. Summary of significant accounting policies (cont.)

(g) Employee future benefits (cont.)

During the year, there were significant changes made to the Public Service Pension Plan. The changes include: increases in contribution rates of between 2.15% and 3.25% of pensionable earnings; calculation of pension benefits, for service on or after January 1, 2015, using the average of the best six years of earnings rather than the average of the best five years of earnings; calculation of pension benefits, for service before January 1, 2015, using the higher of the average of the frozen best 5 years of earnings up to January 1, 2015, or the average of the best 6 years of earnings for all service rather than the average of the best five years of earnings; and increases in the minimum age and/or service requirements for early retirement with an unreduced pension benefit. Employees who are eligible, or become eligible, to retire on or before January 1, 2020, are exempt from increases in the minimum age and/or service requirements for early retirement with an unreduced pension benefit.

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

(h) Revenues

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

Dividend revenue on portfolio investments is recognized when the dividend is declared.

Government transfers (Province of Newfoundland and Labrador grants) 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 related to the liabilities are settled.

Contributions from other sources are deferred when restrictions are placed on their use by the contributor, and are recognized as revenue when used for the specific purpose.

(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 in that year.

Transfers include operating grants to local libraries. These transfers are recorded as expenses when the transfer is authorized and eligibility criteria have been met by the recipient.

2. Summary of significant accounting policies (cont.)

(j) 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, the probability of future severance payments made to employees with less than nine years of service and the probability of future sick leave benefits utilized by employees.

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

	2015	2014
Federal Government		
Harmonized Sales Tax	$ 37,304	$ 44,010
Other	24,116	21,660
	$ 61,420	$ 65,670

There is no allowance for doubtful accounts since all amounts are considered collectible.

4. Portfolio investments

Portfolio investments consist of 1,678 shares of Sun Life Financial Services of Canada Inc. which were given to the Board as a result of the demutualization of Sun Life Assurance Company of Canada. The carrying value of the shares is equal to their market price at the time of transfer to the Board.

	Market Value		Carrying Value	
	2015	2014	2015	2014
Investments held directly				
Sun Life Financial Services of Canada - 1,678 shares	$ 65,492	$ 64,234	$ 23,492	$ 23,492

5. Accounts payable and accrued liabilities

	2015	2014
Accounts payable	$ 114,297	$ 178,592
Accrued salaries and benefits	708,935	680,596
	$ 823,232	$ 859,188

6. Employee future benefits

Employee future benefits consists of:

	2015	2014
Severance pay (a)	$ 1,416,153	$ 1,417,894
Accumulating non-vesting sick leave benefit liability (b)	746,292	753,861
	$ 2,162,445	$ 2,171,755

(a) Severance pay

Severance pay consists of the severance pay liability related to the following employees:

	2015	2014
Employees with 9 or more years of service	$ 1,250,543	$ 1,250,573
Employees with less than 9 years of service	165,610	167,321
	$ 1,416,153	$ 1,417,894

(b) Accumulating non-vesting sick leave benefit liability

	2015	2014
Accrued accumulating non-vesting sick leave benefit obligation, end of year	$ 793,770	$ 760,665
Unamortized actuarial (loss), end of year	(47,478)	(6,804)
Accumulating non-vesting sick leave benefit liability, end of year	$ 746,292	$ 753,861

6. Employee future benefits (cont.)

(c) Accumulating non-vesting sick leave benefit expenses

		2015		2014
Current year benefit cost	$	**81,819**	$	83,885
Employer contributions and benefit payments		**(119,876)**		(115,238)
Interest on accrued benefit obligation		**28,924**		28,632
Recognized actuarial losses		**1,564**		5,533
Accumulating non-vesting sick leave benefit expenses	**$**	**(7,569)**	$	2,812

(d) Employee future benefits

i. Severance pay

Severance is accounted for on an accrual basis and is calculated based upon years of service and current salary levels. The right to be paid severance vests with employees with nine years of continuous service, and accordingly a liability has been recorded by the Board for these employees. For employees with less than nine years of continuous service, the Board has made a provision in the accounts for the payment of severance which is based upon the Board's best estimate of the probability of having to pay severance to the employees and current salary levels. In determining the best estimate of the probability that employees would be paid severance, the Board considered the rate of employee turnover. Employees with prior service with the Government of Newfoundland and Labrador or a Crown corporation or agency may be considered for severance provided the previous employer followed the same or an equivalent severance policy. Severance is payable when the employee ceases employment with the Board provided no severance has been paid by Government or another Crown corporation or agency for the same period and the employee has at least nine years of continuous service.

ii. Accumulating non-vesting sick leave benefits

All unionized employees hired before May 4, 2004, are credited with 2 days per month and all unionized employees hired thereafter are credited with 1 day per month for use as paid absences in the year due to illness. Employees are allowed to accumulate unused sick day credits each year, up to the allowable maximum provided in their respective employment agreement. Accumulated credits may be used in future years to the extent that the employee's illness 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. For the year ended March 31, 2015, a sick leave liability was calculated for 219 employees.

6. Employee future benefits (cont.)

(d) Employee future benefits (cont.)

ii. Accumulating non-vesting sick leave benefits (cont.)

The accrued benefit obligation for accumulating non-vesting sick leave benefits for the year ended March 31, 2015, are based on an actuarial extrapolation for accounting purposes to March 31, 2015 (valuation date as of March 31, 2012).

The actuarial extrapolation is based on assumptions about future events. The economic assumptions used in this extrapolation are the Board's best estimates of compensation increases of 4.0% per annum and discount rate of 2.9%. Other assumptions used in the extrapolation include estimates of expected termination rates, utilization rates and mortality rates.

Actuarial assumptions are reviewed and assessed on a regular basis to ensure that the accounting assumptions take into account various changing conditions and reflect the Board's best estimate of expectations over the long term.

Experience gains or losses are amortized over the estimated average remaining service life of active employees. The amortization amount will be included as an expense in the financial statements commencing in the year subsequent to the year in which the experience gain or loss arose.

iii. Pension contributions

The Board and its employees contribute to the Public Service Pension Plan in accordance with the *Public Service Pensions Act, 1991* (the *Act*). The plan will be administered by the Public Service Pension Plan Corporation, including payment of pension benefits to employees to whom the *Act* applies.

The plan provides a pension to employees based on their age at retirement, length of service and rates of pay. The maximum contribution rate for eligible employees was 11.85% (2014 - 8.6%). The Board's contributions equal the employees' contributions to the plan. The Board is not required to make contributions in respect of any actuarial deficiencies of the plan. Total pension expense for the Board for the year ended March 31, 2015, was $392,970 (2014 - $398,643).

7. Deferred revenue

Deferred revenues are set aside for specific purposes as required either by legislation, regulation or agreement. As at March 31, 2015, the Board reported the following:

	Balance at beginning of year	Receipts during year	Transferred to revenue	Balance at end of year
Provincial source revenue	$1,806,275	$ 100,000	$ 372,117	**$ 1,534,158**
Other source revenue	4,622	1,922	222	**6,322**
	$1,810,897	$ 101,922	$ 372,339	**$ 1,540,480**

Deferred revenue relates to grants received for specific programs such as literacy initiatives and library book purchases, and renovations to local libraries which have not yet been spent for these purposes by the Board. These amounts will be recognized as revenue when the specific program expenses are incurred or the capital equipment is acquired.

8. Contractual obligations

The Board has entered into lease agreements for the rental of photocopiers, postal equipment and various rental properties throughout the Province. Future minimum lease payments are as follows:

2016	$ 677,476
2017	676,454
2018	589,598
2019	540,537
2020	480,904
Thereafter	2,760,440
	$ 5,725,409

9. Obligation under capital lease

The Board acquired office furniture under the terms of a lease agreement ending January 31, 2022. There is no interest under the terms of the agreement and the Board will assume ownership at the end of the 10 year term.

	2015	2014
Obligation under capital lease	$ 27,864	$ 31,942

Payments under this obligation for the next 7 years are as follows:

2016	$ 4,078
2017	4,078
2018	4,078
2019	4,078
2020	4,078
2021 - 2022	7,474
Total minimum lease payments	$ 27,864

10. Tangible capital assets

Original Cost

	Balance March 31, 2014	Additions	Disposals	Balance March 31, 2015
Land	$ 285,907	$ -	$ -	$ 285,907
Buildings	1,758,867	-	-	1,758,867
Building improvements	1,704,479	93,695	-	1,798,174
Furniture and equipment	1,828,476	30,768	16,275	1,842,969
Motor vehicles	206,809	-	-	206,809
Computer equipment	1,289,332	34,442	33,561	1,290,213
Software	168,688	-	-	168,688
Assets under capital lease	40,777	-	-	40,777
	$ 7,283,335	$ 158,905	$ 49,836	$ 7,392,404

10. Tangible capital assets (cont.)

Accumulated Amortization

	Balance March 31, 2014	Amortization	Disposals	Balance March 31, 2015	Net book value March 31, 2015	Net book value March 31, 2014
Land	$ -	$ -	$ -	$ -	**$ 285,907**	$ 285,907
Buildings	1,284,656	34,824	-	1,319,480	**439,387**	474,211
Building improvements	962,757	168,320	-	1,131,077	**667,097**	741,722
Furniture and equipment	1,229,569	102,782	16,275	1,316,076	**526,893**	598,907
Motor vehicles	187,483	14,138	-	201,621	**5,188**	19,326
Computer equipment	1,217,113	51,462	33,561	1,235,014	**55,199**	72,219
Software	168,688	-	-	168,688	**-**	-
Assets under capital lease	12,234	4,078	-	16,312	**24,465**	28,543
	$ 5,062,500	$ 375,604	$ 49,836	$ 5,388,268	**$ 2,004,136**	$ 2,220,835

11. Trusts under administration

Trust funds administered by the Board have not been included in the financial statements as expenditures of these funds are not controlled by the Board. The balances of funds held in trust are as follows:

	2015	2014
Local libraries - deposits	**$ 107,160**	$ 101,381
Provincial Territorial Public Library Council	**66,960**	53,232
	$ 174,120	$ 154,613

11. Trusts under administration (cont.)

Funds raised by some local libraries have been deposited with the Board to cover the cost of wages for additional opening hours and for the purchase of books, periodicals and computers. The balance on deposit at March 31, 2015 consists of cash of $24,780 (2014 - $23,412), and 4,261 shares (2014 - 4,119 shares) of various Investor Group Mutual Funds held in trust for the St. John's Public Library Board which were donated to the Board. The carrying value of the mutual funds is recognized at the fair market value of $82,380 (2014 - $77,969), as determined by the average cost at the time the shares were acquired by the Board. The fair market value of these shares at March 31, 2015 was $113,686 (2014 - $103,138).

The Provincial/Territorial Public Library Council is a national public library group comprising the provincial/territorial public library directors or senior policy advisors whose mandate is to facilitate the coordination of cross-jurisdictional public-library initiatives and to act as a point of contact with national library organizations and the Federal government. The membership fees are paid annually into an account for operational support and special projects. The group has established guidelines regarding funding expenditures.

12. Related party transactions

Province of Newfoundland and Labrador

(a) The Board receives grant funding from the Province of Newfoundland and Labrador. During the year, the Board received grants totaling $10,446,325 (2014 - $10,490,529). The Board recognized $10,717,943 (2014 - $11,079,503) in revenue from the Province of Newfoundland and Labrador.

(b) As at March 31 2015, the Board was owed $127,925 (2014 - $236,700) from the Province of Newfoundland and Labrador.

13. Budget

The Board's budget is prepared on a cash basis. The 2015 budget expenditure exceeded the Province's current year provision for operating grants to the Board and the expected difference would be funded from cash surpluses carried forward from prior years.

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

14. 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 Board's main credit risk relates to cash, accounts receivable and due from the Province. The Board's maximum exposure to credit risk is the carrying amounts of these financial instruments. The Board is not exposed to significant credit risk with its cash because this financial instrument is held with a chartered bank. The Board is not exposed to significant credit risk with the amount due from the Province because of its nature. The Board is not exposed to significant credit risk related to its accounts receivable as it has policies and procedures for the monitoring and collection of its accounts receivable so as to mitigate potential credit losses. Any estimated impairment of these accounts receivable has been provided for through a provision for doubtful accounts. At the present time there is no provision for doubtful accounts as all amounts are considered collectible.

Liquidity risk

Liquidity risk is the risk that the Board will be unable to meet its contractual obligations and financial liabilities. 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. The Board's exposure to liquidity risk relates mainly to its accounts payable and accrued liabilities, obligation under capital lease and contractual obligations. The future minimum payments required from the Board in relation to its contractual obligations and obligation under capital lease are outlined in Notes 8 and 9 respectively.

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 Board is not exposed to significant foreign exchange risk. The Board is not exposed to interest rate risk on its obligation under capital lease because it is non-interest bearing. In addition, the Board is not exposed to significant interest rate risk related to cash because of its nature.

The Board is exposed to other price risk on its portfolio investments (equity investments) as the investments are quoted in an active market in which share pricing can fluctuate. The Board's maximum other price risk is limited to the fair value of the shares as at March 31, 2015. As the Board's investment consists of 1,678 shares, any price fluctuation of $1 to the quoted market price will result in an unrecognized gain or loss of $1,678 for the Board.

15. Expenses by Object

	2015	2014
Amortization	$ **375,604**	$ 459,010
Books and Periodicals	**893,213**	903,760
Computerization of Libraries	**269,249**	226,312
Conference and Workshops	**33,439**	12,873
Early Literacy Program	**299,465**	452,644
Freight and Postage	**37,203**	35,661
Library Operations (Grants)	**758,391**	707,027
Insurance	**75,039**	76,505
Kinderstart Literacy Program	**60,005**	2,585
Loss on Disposal of Capital Assets	**-**	2,314
Miscellaneous	**2,160**	1,439
Office and Library Supplies	**111,014**	102,654
Professional Fees	**28,536**	21,495
Rental of Premises	**356,590**	415,091
Repairs and Maintenance	**15,200**	17,982
Salaries and Benefits	**7,322,247**	7,546,408
Telephone	**54,195**	57,808
Travel	**88,117**	80,437
	$ 10,779,667	$ 11,122,005

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

17. Comparative figures

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

RESEARCH & DEVELOPMENT CORPORATION

OF NEWFOUNDLAND AND LABRADOR

FINANCIAL STATEMENTS

March 31, 2015

Management Certification

The accompanying financial statements of the Research & Development Corporation of Newfoundland and Labrador have been prepared by the Corporation's management in accordance with Canadian Public Sector Accounting Standards.

Management is responsible for the integrity and objectivity of the information contained in these financial statements, including the note disclosures. Some of the information in the financial statements is based on management's best estimate and judgment, and gives due consideration to materiality.

Management has developed and maintains a financial and management control system and practices designed 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 to maintain accountability of Research & Development Corporation of Newfoundland and Labrador funds.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and meets periodically with management to review and discuss the financial information. The Auditor General of Newfoundland and Labrador conducts an independent audit of the annual financial statements of the Research & Development Corporation of Newfoundland and Labrador in accordance with Canadian auditing standards in order to express an opinion thereon. The Auditor General has full and free access to the financial management of the Research & Development Corporation of Newfoundland and Labrador and meet when required.

Glenn Janes
Chief Executive Officer

Lawrence Blanchard, CPA, CA
Chief Operating Officer

St. John's, Newfoundland and Labrador
June 5, 2015

AUDITOR GENERAL
of Newfoundland and Labrador

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Research & Development Corporation
of Newfoundland and Labrador
St. John's, Newfoundland and Labrador

Report on the Financial Statements

I have audited the accompanying financial statements of the Research & Development Corporation of Newfoundland and Labrador which comprise the statement of financial position as at March 31, 2015, 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 Research & Development Corporation of Newfoundland and Labrador as at March 31, 2015, and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

TERRY PADDON, CPA, CA
Auditor General

St. John's, Newfoundland and Labrador
June 8, 2015

RESEARCH & DEVELOPMENT CORPORATION OF NEWFOUNDLAND AND LABRADOR

STATEMENT OF FINANCIAL POSITION
As at

	March 31, 2015 $	March 31, 2014 $
FINANCIAL ASSETS		
Cash and cash equivalents (Note 5)	36,561,579	8,022,872
Portfolio investments	-	26,000,000
Receivables	53,788	286,211
	36,615,367	34,309,083
LIABILITIES		
Accounts payable and accrued liabilities (Note 6)	2,317,603	1,694,779
Net Financial Assets	34,297,764	32,614,304
NON-FINANCIAL ASSETS		
Tangible capital assets, net (Note 7)	1,065,627	1,113,636
Prepaid expenses	56,156	50,563
	1,121,783	1,164,199
Accumulated surplus	35,419,547	33,778,503

Contractual obligations (Note 8)

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

Signed on behalf of the Board: **Director** **Director**

RESEARCH & DEVELOPMENT CORPORATION OF NEWFOUNDLAND AND LABRADOR

STATEMENT OF OPERATIONS

For the year ended

	March 31, 2015 $	March 31, 2015 $	March 31, 2014 $
	Budget	**Actual**	Actual
	(Note 13)		
REVENUE			
Government grants	**22,026,000**	**22,031,916**	22,040,812
Investment income	**583,747**	**623,690**	602,585
	22,609,747	**22,655,606**	22,643,397
EXPENSES (Note 9)			
Program expenses – Academic	**13,131,906**	**11,499,964**	8,553,710
Program expenses – Business	**4,034,920**	**5,696,300**	4,558,223
R&D Solutions	**500,000**	**533,239**	482,267
Operating expenses	**4,238,873**	**3,285,059**	3,210,450
	21,905,699	**21,014,562**	16,804,650
Surplus	**704,048**	**1,641,044**	5,838,747
Accumulated surplus, beginning of year	**33,778,503**	**33,778,503**	27,939,756
Accumulated surplus, end of year	**34,482,551**	**35,419,547**	33,778,503

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

RESEARCH & DEVELOPMENT CORPORATION OF NEWFOUNDLAND AND LABRADOR

STATEMENT OF CHANGE IN NET FINANCIAL ASSETS

For the year ended

	March 31, 2015 $	March 31, 2015 $	March 31, 2014 $
	Budget	**Actual**	Actual
	(Note 13)		
Surplus	**704,048**	**1,641,044**	5,838,747
Acquisition of tangible capital assets	**(4,110,000)**	**(257,700)**	(243,231)
Amortization of tangible capital assets	**324,899**	**305,709**	284,146
	(3,785,101)	**48,009**	40,915
Acquisition of prepaid expenses	**-**	**(103,753)**	(135,182)
Use of prepaid expenses	**-**	**98,160**	125,030
	-	**(5,593)**	(10,152)
(Decrease) increase in net financial assets	**(3,081,053)**	**1,683,460**	5,869,510
Net financial assets, beginning of year	**32,614,304**	**32,614,304**	26,744,794
Net financial assets, end of year	**29,533,251**	**34,297,764**	32,614,304

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

RESEARCH & DEVELOPMENT CORPORATION OF NEWFOUNDLAND AND LABRADOR

STATEMENT OF CASH FLOWS

For the year ended

	March 31, 2015 $	March 31, 2014 $
OPERATING TRANSACTIONS		
Surplus	**1,641,044**	5,838,747
Non-cash item		
Amortization of tangible capital assets	**305,709**	284,146
Decrease (increase) in receivables	**232,423**	(76,069)
Increase in prepaid expenses	**(5,593)**	(10,152)
Increase in accounts payable and accrued liabilities	**622,824**	279,502
Cash provided by operating transactions	**2,796,407**	6,316,174
CAPITAL TRANSACTIONS		
Acquisition of tangible capital assets (Note 7)	**(257,700)**	(243,231)
Cash applied to capital transactions	**(257,700)**	(243,231)
INVESTING TRANSACTIONS		
Disposal (acquisition) of portfolio investment	**26,000,000**	(26,000,000)
Cash provided by (applied to) investing transactions	**26,000,000**	(26,000,000)
Net increase (decrease) in cash and cash equivalents	**28,538,707**	(19,927,057)
Cash and cash equivalents, beginning of year	**8,022,872**	27,949,929
Cash and cash equivalents, end of year (Note 5)	**36,561,579**	8,022,872

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

RESEARCH & DEVELOPMENT CORPORATION OF NEWFOUNDLAND AND LABRADOR

NOTES TO FINANCIAL STATEMENTS

March 31, 2015

1. Nature of operations

The Research & Development Corporation of Newfoundland and Labrador (the Corporation) is incorporated under the authority of the *Research and Development Council Act* (the *Act)* and is funded by the Province of Newfoundland and Labrador (the Province). The *Act* came into effect December 18, 2009. The objective of the Corporation is to strengthen the focus, quantity, quality, and relevance of research and development (R&D) undertaken within the Province and elsewhere for the long-term economic benefit of the Province.

The affairs of the Corporation are managed by a Board of Directors (the Board) appointed by the Lieutenant-Governor in Council. The Corporation is a Crown entity of the Province and as such is not subject to Provincial or Federal income taxes.

2. Summary of significant accounting policies

These financial statements have been prepared by management in accordance with Canadian Public Sector Accounting Standards (CPSA Standards) which require management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. By their nature these estimates are subject to measurement uncertainty. The most significant item for which estimates are used is the useful life of tangible capital assets. The effect on the financial statements of a change in this estimate in future periods could be material and would be accounted for in the period the change occurs.

Basis of presentation

These financial statements include the accounts relating to the operations carried on under the name of the Corporation, and have been prepared by the Corporation's management in accordance with CPSA Standards.

Cash and cash equivalents

Cash and cash equivalents include cash in bank and short-term, highly liquid investments that are readily convertible into known amounts of cash and are subject to an insignificant risk of change in value. These short term investments have maturities of three months or less at acquisition.

Portfolio investments

Portfolio investments include highly liquid term deposits and guaranteed investment certificates that have maturities between three and twelve months at acquisition.

2. Summary of significant accounting policies (cont.)

Revenue recognition

The Corporation recognizes the receipt of government transfers as revenue in the period the transfer is authorized and all eligibility criteria have been met, except when and to the extent that the transfer gives rise to an obligation that meets the definition of a liability for the Corporation. Investment income is recognized as earned.

Expenses

The Corporation recognizes expenses on an accrual basis. The cost of all goods consumed and services received during the period is expensed. Program grants are accounted for as government transfers and are recorded as expenses when they are authorized, when eligibility criteria have been met by the recipient, and when a reasonable estimate of the amount can be made.

Tangible capital assets

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

	Term
Furniture and equipment	5 years
Computer hardware and software	2 years
Network infrastructure	4 years
Enterprise resource package software	3 years
Leasehold improvements	Lease term
Atmospheric corrosion test site	5 years

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 is less than their net book value. The net write downs are accounted for as expenses in the statement of operations.

Pension costs

Employees of the Corporation are covered by the Public Service Pension Plan (the Plan) or the Government Money Purchase Plan administered by the Province or a self-directed RRSP. Contributions to each plan are required from the employees and are matched by the Corporation. The contributions for pensions are recognized during the period in which the services are rendered and represent the Corporation's total pension benefit obligation. The Plan provides defined pension benefits to employees based on their length of service and rates of pay. The maximum contribution rate for eligible employees is 11.85% (2014 – 8.6%). The Corporation is not required to make contributions in respect of any

2. Summary of significant accounting policies (cont.)

actuarial deficiencies of the Plan. Total pension expense for the Corporation at March 31, 2015 was $218,452 (year ended March 31, 2014 - $210,658).

3. Risk management

The Corporation's management recognizes the importance of managing significant risks and this includes policies, procedures and oversight designed to reduce the risks identified to an appropriate threshold. The Board is provided with timely and relevant reports on the management of significant risks. 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 to 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 and cash equivalents, portfolio investments and receivables. The Corporation's maximum exposure to credit risk is the carrying amount of these financial instruments. The Corporation is not exposed to significant credit risk with its cash and cash equivalents or portfolio investments because these financial instruments are held with a Chartered Bank. The Corporation is not exposed to significant credit risk with its receivables as these amounts are due from 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 Corporation will be unable to meet its contractual obligations and financial liabilities as they come due. The Corporation's exposure to liquidity risk relates mainly to its accounts payable and accrued liabilities and its contractual obligations as disclosed in Note 8. The Corporation manages liquidity risk by monitoring its cash flows and ensuring that it has sufficient resources available to meet its obligations and liabilities. The Corporation also has access to a credit facility as outlined in Note 12.

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. The Corporation 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.

4. Financial instruments

The Corporation's financial instruments recognized on the statement of financial position consist of cash and cash equivalents, portfolio investments, receivables, 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.

The carrying value of cash and cash equivalents, portfolio investments, receivables, and accounts payable and accrued liabilities approximate fair value due to their nature and the short-term maturity associated with these instruments.

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

5. Cash and cash equivalents

	March 31, 2015 $	March 31, 2014 $
Cash in bank	**36,561,579**	**3,022,872**
Cash equivalent investments	**-**	**5,000,000**
	36,561,579	**8,022,872**

6. Accounts payable and accrued liabilities

	March 31, 2015 $	March 31, 2014 $
Programs grants payable	**1,740,038**	**1,012,711**
Trade accounts payable & accruals	**116,603**	**205,580**
Payroll related accruals	**460,962**	**476,488**
	2,317,603	**1,694,779**

7. Tangible capital assets

	Leasehold Improve-ments $	Furniture & Equipment $	Computer Hardware & Software $	Network Infrastructure $	Enterprise Resource Package Software $	Atmospheric Corrosion Test Site $	Total $
COST							
Balance, March 31, 2014	835,413	536,270	339,099	47,077	259,085	24,375	2,041,319
Additions	-	1,074	17,091	-	-	239,535	257,700
Balance, March 31, 2015	835,413	537,344	356,190	47,077	259,085	263,910	2,299,019
ACCUMULATED AMORTIZATION							
Balance, March 31, 2014	146,197	302,518	172,806	47,077	259,085	-	927,683
Amortization expense	83,541	78,890	116,887	-	-	26,391	305,709
Balance, March 31, 2015	229,738	381,408	289,693	47,077	259,085	26,391	1,233,392
Net book value, March 31, 2015	**605,675**	**155,936**	**66,497**	**-**	**-**	**237,519**	**1,065,627**
Net book value, March 31, 2014	689,216	233,752	166,293	-	-	24,375	1,113,636

8. Contractual obligations

The Corporation has outstanding contractual obligations under its various programs in respect of approved but not yet disbursed funds in the amount of $38,366,372. The Corporation has also entered into a lease agreement for the rental of office space and various operating contracts totaling $3,464,478. Approximate payment of these obligations in future years is as follows:

	Programs $	Operating $
2016	18,375,892	686,688
2017	13,395,568	453,100
2018	4,060,522	443,300
2019	1,757,884	442,680
2020	720,940	442,680
Thereafter	55,566	996,030
	38,366,372	3,464,478

9. Expenses

The statement of operations presents the expenses of the Corporation by function, the following table presents them by nature:

	March 31, 2015 $	March 31, 2015 $	March 31, 2014 $
	Budget (Note 13)	**Actual**	Actual
Program grants	**15,092,347**	**15,557,187**	11,258,181
Salaries and benefits	**4,386,353**	**3,437,117**	3,371,478
Purchased services	**1,359,003**	**1,045,486**	1,090,577
Professional services	**743,100**	**669,063**	800,268
Amortization of tangible capital assets	**324,896**	**305,709**	284,146
Total expenses	**21,905,699**	**21,014,562**	16,804,650

10. Related party transactions

These financial statements include transactions with related parties. The Corporation is related, as a result of common ownership, to all Crown corporations and agencies of the Province.

During the period, the Corporation had the following related party transactions:

- Program grants expense to related parties of $10,843,637 (year ended March 31, 2014 - $8,286,042).
- Purchased supplies and services from related parties for $622,237 (year ended March 31, 2014 - $489,206).

11. Economic dependence

As a result of the Corporation's reliance on funding from the Province, the Corporation's ability to continue viable operations is dependent upon the decisions of the Province.

12. Credit facilities

Subject to the prior approval of the Lieutenant-Governor in Council and the Board, the Corporation may borrow money for purposes related to the attainment of its objectives as set out in the *Act*. At March 31, 2015, the Corporation had available a revolving credit facility of up to $1,000,000 bearing interest at prime, a letter of credit of up to $50,000 bearing interest at 1%, and VISA business card(s) with an aggregate limit of $50,000. At March 31, 2015, the credit facility, letter of credit, and the VISA business card(s) are inactive.

13. Budgeted figures

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

STUDENT LOAN CORPORATION OF NEWFOUNDLAND AND LABRADOR

FINANCIAL STATEMENTS

MARCH 31, 2015

Management's Report

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

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 Student Loan Corporation of Newfoundland and Labrador.

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

P C Dinn

Mr. Paul Dinn
Director of Portfolio Management

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

I have audited the accompanying financial statements of the Student Loan Corporation of Newfoundland and Labrador which comprise the statement of financial position as at March 31, 2015, 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 Student Loan Corporation of Newfoundland and Labrador as at March 31, 2015, and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

TERRY PADDON, CPA, CA
Auditor General

July 3, 2015
St. John's, Newfoundland and Labrador

STUDENT LOAN CORPORATION OF NEWFOUNDLAND AND LABRADOR
STATEMENT OF FINANCIAL POSITION

As at March 31	2015	2014
FINANCIAL ASSETS		
Cash	**$ 4,451,799**	$ 6,375,837
Due from government (Note 3)	**3,129,107**	309,301
Student loans receivable (Note 4)	**81,399,531**	92,171,139
	88,980,437	98,856,277
LIABILITIES		
Accounts payable and accrued liabilities (Note 5)	**219,191**	282,696
Employee future benefits (Note 6)	**490,881**	331,526
Due to government (Note 7)	**20,325**	61,956
Long-term debt (Note 8)	**21,804,000**	45,744,000
	22,534,397	46,420,178
Net financial assets	**66,446,040**	52,436,099
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 9)	**19,210**	37,256
	19,210	37,256
Accumulated surplus	**$ 66,465,250**	$ 52,473,355

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

Signed on behalf of the Board: _______ **Chairperson** _______ **Director**

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

	2015 Budget (Note 13)	2015 Actual	2014 Actual
REVENUES			
Provincial grant (Note 11)	$ 30,325,500	$ 30,179,929	$ 29,583,538
Recovery in value of student loan receivable	2,000,000	1,882,004	1,937,611
Interest	100,000	132,959	118,103
Student loan interest	-	236,867	199,818
Other	100,000	39,148	272,408
	32,525,500	32,470,907	32,111,478
EXPENSES			
Administrative fees	950,000	547,935	575,918
Amortization	10,000	18,046	18,047
Bank charges	10,000	7,804	9,211
Grant - Provincial	16,500,000	15,591,376	14,096,593
Interest on long-term debt	500,000	432,695	759,265
Interest relief - repayment assistance	400,000	514,983	440,753
Operating	140,000	44,297	88,852
Salaries	1,218,200	1,321,876	988,189
	19,728,200	18,479,012	16,976,828
Annual surplus	12,797,300	13,991,895	15,134,650
Accumulated surplus, beginning of year	52,473,355	52,473,355	37,338,705
Accumulated surplus, end of year	$ 65,270,655	$ 66,465,250	$ 52,473,355

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

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

	2015 Budget (Note 13)	2015 Actual	2014 Actual
Annual surplus	$ 12,797,300	$ 13,991,895	$ 15,134,650
Amortization of tangible capital assets	10,000	18,046	18,047
Increase in net financial assets	12,807,300	14,009,941	15,152,697
Net financial assets, beginning of year	52,436,099	52,436,099	37,283,402
Net financial assets, end of year	$ 65,243,399	$ 66,446,040	$ 52,436,099

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

STUDENT LOAN CORPORATION OF NEWFOUNDLAND AND LABRADOR
STATEMENT OF CASH FLOWS

For the year ended March 31	2015	2014
Operating transactions		
Annual surplus	**$ 13,991,895**	$ 15,134,650
Adjustments for non-cash items		
Amortization	**18,046**	18,047
Recovery in value of student loan receivable	**(1,882,004)**	(1,937,611)
	12,127,937	13,215,086
Changes in non-cash operating items		
Due from government	**(2,819,806)**	167,379
Accounts payable and accrued liabilities	**(63,505)**	(100,484)
Due to government	**(41,631)**	16,883
Employee future benefits	**159,355**	(35,218)
Cash provided from operating transactions	**9,362,350**	13,263,646
Financing transactions		
Repayment of long-term debt	**(23,940,000)**	(27,256,000)
Cash applied to financing transactions	**(23,940,000)**	(27,256,000)
Investing transactions		
Net decrease in student loans receivable (Note 4)	**12,654,762**	16,679,226
Student loans written off to allowance	**(1,150)**	(1,715,382)
Cash provided from investing transactions	**12,653,612**	14,963,844
Increase (decrease) in cash	**(1,924,038)**	971,490
Cash, beginning of year	**6,375,837**	5,404,347
Cash, end of year	**$ 4,451,799**	$ 6,375,837

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

1. Nature of operations

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

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

2. Summary of significant accounting policies

(a) Basis of accounting

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

(b) Financial instruments

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

The Corporation subsequently measures all of its financial assets and financial liabilities at cost or amortized cost. Financial assets measured at cost include cash and due from government. Student loans receivable is measured at amortized cost as disclosed in notes 2(e) and 4. Financial liabilities measured at cost include accounts payable and accrued liabilities and due to government. Long-term debt is measured at amortized cost as disclosed in note 8.

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

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

2. Summary of significant accounting policies

(c) Cash

Cash includes cash in bank.

(d) Employee future benefits

Employee benefits include severance pay and accumulating, non-vesting, sick leave benefits.

(i) Severance is accounted for on an accrual basis and is calculated based upon years of service and current salary levels.

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

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

During the year, there were significant changes made to the Public Service Pension Plan. The changes include: increases in contribution rates of between 2.15% and 3.25% of pensionable earnings; calculation of pension benefits, for service on or after January 1, 2015, using the average of the best six years of earnings rather than the average of the best five years of earnings; calculation of pension benefits, for service before January 1, 2015, using the higher of the average of the frozen best 5 years of earnings up to January 1, 2015, or the average of the best 6 years of earnings for all service rather than the average of the best five years of earnings; and increases in the minimum age and/or service requirements for early retirement with an unreduced pension benefit. Employees who are eligible, or become eligible, to retire on or before January 1, 2020, are exempt from increases in the minimum age and/or service requirements for early retirement with an unreduced pension benefit.

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

2. Summary of significant accounting policies (cont.)

(e) Student loans receivable

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

(f) Tangible capital assets

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

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

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

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

(g) Revenues

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

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

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

2. Significant accounting policies (cont.)

(h) Expenses

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

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

(i) Measurement uncertainty

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

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

3. Due from government

	2015	2014
Federal government	**$ 288,308**	$ 168,279
Provincial government	**2,840,799**	141,022
	$ 3,129,107	$ 309,301

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

4. Student loans receivable

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

4. Student loans receivable (cont.)

As at March 31, 2015 approximately 14,954 loans totaling $44,507,217 (2014 - 16,511 loans totaling $51,793,971) were being repaid as non-interest bearing for the period April 1, 2014 to March 31, 2015 (Class B loans) while 6,798 loans totaling $22,069,276 (2014 - 7,187 loans totaling $26,581,507) were not being repaid as the students were either still in attendance at an approved education institution or were within six months after the end of the study period (Class A loans). Generally, the maximum repayment period for Class B loans is 10 years. Upon graduation, students who meet certain criteria are eligible to have a portion of their loan forgiven through a debt reduction grant.

As at March 31, 2015 approximately 9,311 loans totaling $44,533,279 (2014 - 9,093 loans totaling $45,369,874) were defaulted. These loans are defined as Class B loans delinquent for 270 days (nine months). These loans were non-interest bearing for the period April 1, 2014 to March 31, 2015.

Student loans receivable consist of the following:

	2015	2014
Loans receivable		
Class A principal	**$ 22,069,276**	$ 26,581,507
Class B principal	**44,507,217**	51,793,971
Loans defaulted	**44,533,279**	45,369,874
Interest receivable	**1,611,850**	1,631,032
	112,721,622	125,376,384
Less: allowance for doubtful accounts	**(31,322,091)**	(33,205,245)
	$ 81,399,531	$ 92,171,139

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

4. Student loans receivable (cont.)

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

	2015	2014
Student loan interest	**$ 236,867**	$ 199,818
Interest relief - repayment assistance	**(514,983)**	(440,753)
Student loan grants	**(2,361,458)**	(3,617,831)
Student loans disbursed	**7,570,390**	10,901,192
Student loan payments	**(17,584,428)**	(22,006,270)
Student loans written off to allowance	**(1,150)**	(1,715,382)
	$ (12,654,762)	$ (16,679,226)

5. Accounts payable and accrued liabilities

	2015	2014
Trade payables and accrued liabilities	**$ 127,713**	$ 212,999
Salaries and benefits payable	**10,726**	8,122
Accrued vacation pay	**80,752**	61,575
	$ 219,191	$ 282,696

6. Employee future benefits

	2015	2014
Vested severance benefits	**$ 170,419**	$ 143,715
Provision for non-vested, severance benefits	**52,312**	74,124
Provision for accumulating, non-vesting, sick leave	**268,150**	113,687
	$ 490,881	$ 331,526

6. Employee future benefits (cont.)

(a) Severance pay

Severance is accounted for on an accrual basis and is calculated based upon years of service and current salary levels. The right to be paid severance vests with employees with nine years of continual service, and accordingly a liability has been recorded by the Corporation for these employees. For employees with less than nine years of continual service, the Corporation has made a provision in the accounts for the payment of severance which is based upon the Corporation's best estimate of the probability of having to pay severance to the employees and current salary levels. In determining the best estimate of the probability that employees would be paid severance, the Corporation considered the rate of employee turnover since its inception. Employees with prior service with the Government of Newfoundland and Labrador or a Crown corporation or agency may be considered for severance provided the previous employer followed the same or an equivalent severance policy. Severance is payable when the employee ceases employment with the Corporation provided no severance has been paid by Government or another Crown corporation or agency for the same period and the employee has at least nine years of continual service. No provision has been made for contractual employees.

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

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

(c) Pension contributions

The Corporation and its employees are subject to the *Public Service Pensions Act, 1991*. Employee contributions are matched by the Corporation and remitted to the Public Service Pension Plan Corporation, as administrator of the plan, from which pensions will be paid to employees when they retire. The plan provides a pension to employees upon retirement based on the member's age at retirement, their length of service and rates of pay. The maximum contribution rate for eligible employees was 11.85% (2014 - 8.6%). The Corporation's share of pension contributions and the total expense for 2015 was $78,911 (2014 - $71,598). The Corporation is not required to make contributions in respect of any actuarial deficiencies of the Plan.

7. Due to government

	2015	2014
Federal government	$ 20,325	$ 23,232
Provincial government	-	38,724
	$ 20,325	$ 61,956

The amount due to the Provincial government is related to payments received by the Corporation for non-integrated student loans that are administered by the Corporation on behalf of the Province.

8. Long-term debt

Long-term liabilities reported on the statement of financial position are comprised of the following:

	2015	2014
Issue of floating rate notes dated September 30, 2011, maturing September 30, 2021, and bearing interest at the 3-month Canadian Bankers' Acceptance rate less 10 basis points, payable quarterly	$ 21,804,000	$ 45,744,000

The Corporation signed a floating rate note with the Crown to repay the outstanding principal and interest with terms as determined by the Debt Management Division of the Department of Finance. Principal payments on the debt, as determined by the Student Loan Corporation, and interest payments will be made quarterly, payable on June 30, September 30, December 31 and March 31 each fiscal year. The loan matures on September 30, 2021.

9. Tangible capital assets

	Office equipment	Computer software	Computer hardware	Total
Cost				
Balance, March 31, 2014	$ 60,694	$ 145,359	$ 22,404	$ 228,457
Disposals	21,739	-	-	21,739
Balance, March 31, 2015	38,955	145,359	22,404	206,718
Accumulated amortization				
Balance, March 31, 2014	38,528	130,269	22,404	191,201
Amortization expense	3,896	14,150	-	18,046
Disposals	21,739	-	-	21,739
Balance, March 31, 2015	20,685	144,419	22,404	187,508
Net book value, March 31, 2015	**$ 18,270**	**$ 940**	**$ -**	**$ 19,210**
Net book value, March 31, 2014	$ 22,166	$ 15,090	$ -	$ 37,256

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. There was no significant change in the Corporation's exposure to these risks or its processes for managing these risks from the prior year.

Credit risk

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

10. Financial risk management (cont.)

The Corporation is exposed to credit risk related to its student loans receivable. The Corporation has policies and procedures for the monitoring and collection of its student loans receivable so as to mitigate potential credit losses. The Corporation classifies its student loans receivable in accordance with notes 2(e) and 4. Any estimated impairment of student loans receivable has been provided for through an allowance for decline in value.

As at March 31, 2015 Class B loans in repayment amounted to $44,507,217. A total balance of $4,722,756 of these loans was overdue as follows:

Days Overdue					
1 - 30	31 - 60	61 - 90	91 - 270	>270	Total
$42,684	$1,574,655	$361,874	$1,345,115	$1,398,428	$4,722,756

As well, as at March 31, 2015, the balance of defaulted loans subject to collection procedures was $44,533,279.

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, not yet disbursed loans, grants and long-term debt. The Corporation manages liquidity risk by monitoring its cash flows and ensuring that it has sufficient resources available to meet its contractual obligations and financial liabilities. In the event that the Corporation does not believe that it has sufficient liquidity to meet its current obligations, consideration will be given to obtaining additional funds through borrowing or requesting additional funding from the Province.

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.

The Corporation is exposed to interest rate risk. Long-term debt is at a floating rate determined by the 3-month Canadian Bankers' Acceptance rate less 10 basis points, maturing September 30, 2021. An increase/decrease of 1% in the interest rate would result in an increase/decrease of $218,040 in interest expense on long-term debt. The Corporation is not exposed to significant interest rate risk on its student loans receivable as most are non-interest bearing loans.

11. Related party transactions

	2015	2014
Grants from the Province	**$ 30,179,929**	$ 29,583,538
	$ 30,179,929	$ 29,583,538

In addition to the above transactions, the Province holds the long-term debt of the Corporation totaling $21,804,000.

12. Future changes to the Provincial Student Loan Program

In its 2014 Budget, the Province announced that $50.6 million would be allocated over 5 years to eliminate the Provincial portion of student loans, replacing them with non-repayable, upfront grants. The Province currently intends to eliminate the Provincial portion of student loans in 2 years, during the 2015-16 fiscal year. The elimination of the Provincial portion of student loans may have a significant impact on the Corporation's future operations.

13. Budgeted figures

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

14. 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.

SUPREME COURT OF NEWFOUNDLAND AND LABRADOR

FINANCIAL STATEMENTS

MARCH 31, 2015

INDEPENDENT AUDITOR'S REPORT

To the Chief Executive Officer
Supreme Court of Newfoundland and Labrador
St. John's, Newfoundland and Labrador

Report on the Financial Statements

I have audited the accompanying financial statements of the Supreme Court of Newfoundland and Labrador, which comprise the statement of fund balance as at March 31, 2015, and the statement of changes in fund balance for the Supreme Court of Newfoundland and Labrador 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 accounting policies described in Note 1 to meet the information needs of the Chief Executive Officer of the Supreme Court of Newfoundland and Labrador, the Chief Justice of Newfoundland and Labrador, the Chief Justice of the Trial Division, and the Government of Newfoundland and Labrador under Section 67 of the *Judicature Act*, 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 Supreme Court of Newfoundland and Labrador as at March 31, 2015, and the results of its operations for the year then ended in accordance with the accounting policies described in Note 1 to these financial statements.

Basis of Accounting and Restriction on Use

Without modifying my opinion, I draw attention to Note 1 to the financial statements which describe the basis of accounting. These financial statements are prepared solely for the information of the Chief Executive Officer of the Supreme Court of Newfoundland and Labrador, the Chief Justice of Newfoundland and Labrador, the Chief Justice of the Trial Division, and the Government of Newfoundland and Labrador under Section 67 of the *Judicature Act*. As a result, the financial statements may not be suitable for another purpose. My report is intended solely for the use of the Chief Executive Officer of the Supreme Court of Newfoundland and Labrador, the Chief Justice of Newfoundland and Labrador, the Chief Justice of the Trial Division, and the Government of Newfoundland and Labrador and should not be used by anyone other than the specified users.

TERRY PADDON, CPA, CA
Auditor General

July 22, 2015
St. John's, Newfoundland and Labrador

SUPREME COURT OF NEWFOUNDLAND AND LABRADOR
STATEMENT OF FUND BALANCE

As at March 31	2015	2014
ASSETS		
Cash	**$ 6,212,830**	$ 6,066,765
Irrevocable letters of credit and securities	**30,619,940**	1,094,562
Total assets	**$ 36,832,770**	7,161,327
Total Fund balance	**$ 36,832,770**	$ 7,161,327

See accompanying notes

Signed: P. Ryan
Chief Executive Officer

SUPREME COURT OF NEWFOUNDLAND AND LABRADOR
STATEMENT OF CHANGES IN FUND BALANCE

For the Year Ended March 31	2015	2014
INCREASES		
Court actions (Payments into Court)	$ 31,130,599	$ 1,564,307
Divorce fees	8,400	8,530
Fees	2,143,555	1,708,586
Fines and bail	2,950	7,990
Investment income	60,794	115,682
Law Society fees	13,977	14,073
	33,360,275	3,419,168
DECREASES		
Court actions (Payments out of Court)	707,151	2,117,421
Divorce fees	9,600	6,660
Fees paid to Consolidated Revenue Fund	2,514,557	1,305,403
Fines and bail	441,339	-
Law Society fees	16,185	10,716
	3,688,832	3,440,200
Net increase (decrease)	29,671,443	(21,032)
Fund balance, beginning of period	7,161,327	7,182,359
Fund balance, end of period	$ 36,832,770	$ 7,161,327

See accompanying notes

Authority

The Chief Executive Officer of the Supreme Court of Newfoundland and Labrador operates under the authority of the *Judicature Act*.

The Chief Executive Officer of the Supreme Court of Newfoundland and Labrador has custody of monies paid to the Court in pending actions, as well as monies paid to the Court under, inter alia, the following Acts, and Rules and Regulations thereunder:

(a) *Automobile Insurance Act*
(b) *Consumer Protection and Business Practices Act*
(c) *Elections Act, 1991*
(d) *Expropriation Act*
(e) *Judicature Act*
(f) *Leaseholds in St. John's Act*
(g) *Life Insurance Act*
(h) *Municipalities Act, 1999*
(i) *Public Utilities Acquisition of Lands Act*
(j) *Real Estate Trading Act*
(k) *Residential Tenancies Act, 2000*
(l) *Unified Family Court Act*

1. Basis of accounting

These financial statements have been prepared by the Chief Executive Officer of the Supreme Court of Newfoundland and Labrador in accordance with the significant accounting policies set out below to meet the information needs of the Chief Executive Officer of the Supreme Court of Newfoundland and Labrador, the Chief Justice of Newfoundland and Labrador, the Chief Justice of the Trial Division, and the Government of Newfoundland and Labrador under Section 67 of the *Judicature Act*. 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 Supreme Court of Newfoundland and Labrador are reflected in these statements.

Significant accounting policies

These financial statements are prepared on the cash basis of accounting. Outlined below are the significant accounting policies followed.

1. Basis of accounting (cont.)

(a) Administrative expenditures

The Supreme Court of Newfoundland and Labrador, for administrative purposes, is part of the operations of the Department of Justice and Public Safety. Therefore, expenditures related to salaries, accommodations and administration are absorbed by the Department of Justice and Public Safety and no provision has been made in these financial statements for the cost of these items.

(b) Irrevocable letters of credit and securities

The Supreme Court of Newfoundland and Labrador accepts irrevocable letters of credit and securities as payment into court in lieu of cash, as directed by a court order. These letters of credit are recorded at face value and can only be removed as directed by court order.

2. Related party transactions

Commissions earned and service fees are paid into the Province's Consolidated Revenue Fund.

3. Income taxes

The Supreme Court of Newfoundland and Labrador is an entity of the Crown and as such is not subject to Provincial or Federal income taxes.

THE ROOMS CORPORATION OF NEWFOUNDLAND AND LABRADOR

FINANCIAL STATEMENTS

MARCH 31, 2014

Management's Report

Management's Responsibility for The Rooms Corporation of Newfoundland and Labrador Financial Statements

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

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

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

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and exercises these responsibilities through the Board. The Board reviews internal financial information 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 Rooms Corporation of Newfoundland and Labrador.

On behalf of The Rooms Corporation of Newfoundland and Labrador.

Dean Brinton	Donna Marie Humphries
Mr. Dean Brinton	Ms. Donna Marie Humphries, CGA
Chief Executive Officer	Director of Finance (A)

INDEPENDENT AUDITOR'S REPORT

To the Chairperson and Members
The Rooms Corporation of
Newfoundland and Labrador
St. John's, Newfoundland and Labrador

Report on the Financial Statements

I have audited the accompanying financial statements of The Rooms Corporation of Newfoundland and Labrador which comprise the statement of financial position as at March 31, 2014, the statements of operations, remeasurement gains and losses, change in net (debt) 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 Rooms Corporation 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 11, 2014
St. John's, Newfoundland and Labrador

THE ROOMS CORPORATION OF NEWFOUNDLAND AND LABRADOR
STATEMENT OF FINANCIAL POSITION
As at March 31

	2014	2013
FINANCIAL ASSETS		
Cash	$ 739,543	$ 2,275,860
Accounts receivable (Note 3)	578,178	817,442
Inventory held for resale	141,055	116,608
Restricted cash (Note 4)	476,792	1,459,158
Portfolio investments (Note 5)	23,156	-
	1,958,724	4,669,068
LIABILITIES		
Accounts payable and accrued liabilities (Note 6)	1,198,120	1,878,666
Due to the Rooms Foundation (Note 7)	308,840	-
Employee future benefits (Note 9)	849,671	880,218
Deferred revenue (Note 8)	191,682	1,459,158
	2,548,313	4,218,042
Net (debt) financial assets	(589,589)	451,026
NON-FINANCIAL ASSETS		
Prepaid expenses	2,250	-
Tangible capital assets (Note 10)	7,571,165	5,190,961
	7,573,415	5,190,961
Accumulated surplus	$ 6,983,826	$ 5,641,987
Accumulated surplus is comprised of:		
Accumulated operating surplus	$ 6,984,401	$ 5,641,987
Accumulated remeasurement losses	(575)	-
	$ 6,983,826	$ 5,641,987

Contractual obligations (Note 14)
Trusts (Note 15)

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

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

THE ROOMS CORPORATION OF NEWFOUNDLAND AND LABRADOR
STATEMENT OF OPERATIONS
For the Year Ended March 31

	2014 Budget (Note 17)	2014 Actual	2013 Actual
REVENUES (Schedule 1)			
Province of Newfoundland and Labrador			
Operating grants	$ 6,074,200	$ 6,265,215	$ 7,160,430
Contributions to employee benefits (Note 13)	-	539,197	636,440
Commercial operations (Note 12)	897,867	1,009,865	940,660
Government of Canada	95,000	288,065	257,561
Corporate sponsorship	175,265	284,000	137,300
External funding	-	46,457	14,571
	7,242,332	8,432,799	9,146,962
EXPENSES (Schedule 1)			
Archives division	758,980	985,613	1,030,465
Art gallery division	853,124	893,870	1,102,080
Corporate services and building operations	4,071,092	5,039,552	4,870,770
Education programs	455,482	497,984	598,575
Museum division and regional museums	1,103,654	1,304,150	1,595,193
	7,242,332	8,721,169	9,197,083
Annual operating deficit, prior to capital improvement donations	-	(288,370)	(50,121)
Capital improvement donations	-	1,630,784	1,364,858
Annual operating surplus	-	1,342,414	1,314,737
Accumulated operating surplus, beginning of year	5,641,987	5,641,987	4,327,250
Accumulated operating surplus, end of year	$ 5,641,987	$ 6,984,401	$ 5,641,987

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

THE ROOMS CORPORATION OF NEWFOUNDLAND AND LABRADOR
STATEMENT OF REMEASUREMENT GAINS AND LOSSES

For the Year Ended March 31	2014	2013
Accumulated remeasurement gains (losses), beginning of year	**$ -**	$ -
Unrealized (losses) attributable to:		
Portfolio investments	**(934)**	-
Amounts reclassified to statement of operations:		
Portfolio investments	**359**	-
Net remeasurement (losses) for the year	**(575)**	-
Accumulated remeasurement (losses), end of year	**$ (575)**	$ -

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

THE ROOMS CORPORATION OF NEWFOUNDLAND AND LABRADOR
STATEMENT OF CHANGE IN NET (DEBT) FINANCIAL ASSETS
For the Year Ended March 31

	2014 Budget (Note 17)	2014 Actual	2013 Actual
Annual operating surplus	$ -	$ 1,342,414	$ 1,314,737
Changes in tangible capital assets			
Acquisition of tangible capital assets, net of disposals/transfers	-	(2,709,893)	(1,434,287)
Amortization of tangible capital assets	262,000	329,689	281,725
	262,000	(2,380,204)	(1,152,562)
Changes in other non-financial assets			
Acquisition of prepaid expenses	-	(2,250)	-
	-	(2,250)	-
Net remeasurement losses	-	(575)	-
Increase (decrease) in net financial assets	262,000	(1,040,615)	162,175
Net financial assets, beginning of year	451,026	451,026	288,851
Net (debt) financial assets, end of year	$ 713,026	$ (589,589)	$ 451,026

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

THE ROOMS CORPORATION OF NEWFOUNDLAND AND LABRADOR
STATEMENT OF CASH FLOWS

For the Year Ended March 31	2014	2013
Operating transactions		
Annual operating surplus	$ 1,342,414	$ 1,314,737
Adjustment for non-cash items		
Amortization	329,689	281,725
Bad debt expense	305,930	-
Change in non-cash operating items	1,978,033	1,596,462
Accounts receivable	(66,666)	(611,742)
Inventory held for resale	(24,447)	4,280
Restricted cash	982,366	1,081,343
Accounts payable and accrued liabilities	(680,546)	860,823
Due to the Rooms Foundation	308,840	-
Employee future benefits	(30,547)	32,966
Deferred revenue	(1,267,476)	(1,081,343)
Prepaid expenses	(2,250)	-
Cash provided from operating transactions	1,197,307	1,882,789
Capital transactions		
Additions to capital assets, net of disposals/transfers	(2,709,893)	(1,434,287)
Cash applied to capital transactions	(2,709,893)	(1,434,287)
Investing transactions		
Acquisition of portfolio investments	(71,639)	-
Proceeds from disposals of portfolio investments	47,908	-
Cash applied to investing transactions	(23,731)	-
Increase (decrease) in cash	(1,536,317)	448,502
Cash, beginning of year	2,275,860	1,827,358
Cash, end of year	$ 739,543	$ 2,275,860

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

1. Nature of operations

The Rooms Corporation of Newfoundland and Labrador (the Corporation) was established as a corporation under the *Rooms Act* on May 19, 2005. In accordance with the *Rooms Act*, the Corporation assumed title to and has been vested with all of the rights, liabilities, assets and property of The Rooms Corporation of Newfoundland and Labrador Inc. established as a corporation under the *Corporations Act* on November 18, 2002. The Corporation was established to: collect, preserve, present and make available for research, historic artifacts, natural history specimens and archival records that represent and illustrate the significant history, culture and natural heritage of the Province; conduct research with respect to the history, natural history, culture and heritage of the Province; collect and present provincial, national and international contemporary and historic art; advance and promote the works of contemporary visual artists of the Province; support the development of cultural industries in the Province; strengthen the culture of the Province; and provide and enhance client services and partnerships to promote the cultural collections of the Province and to show other national and international collections. The Corporation is an agent of the Crown. The affairs of the Corporation are governed by a Board of Directors appointed by the Lieutenant-Governor in Council. The Rooms is located in St. John's, with regional facilities located in Grand Falls-Windsor (Mary March Provincial Museum and Loggers' Life Provincial Museum), Grand Bank (Provincial Seamen's Museum), and North West River (Labrador Interpretation Centre).

The Corporation is a Crown entity of the Province of Newfoundland and Labrador and as such is not subject to Provincial or Federal income taxes under Section 149 (1) (d) of the *Income Tax Act*.

2. Summary of significant accounting policies

(a) Basis of accounting

The Corporation is classified as a Government Not-For-Profit Organization as defined by the Canadian public sector accounting standards (CPSAS). These financial statements have been prepared by the Corporation's management in accordance with CPSAS for provincial reporting entities established by the Canadian 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, restricted cash, accounts receivable, portfolio investments, accounts payable and accrued liabilities and due to the Rooms Foundation. 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.

2. Summary of significant accounting policies (cont.)

(b) Financial instruments (cont.)

The Corporation subsequently measures all of its financial assets and financial liabilities at cost or amortized cost except for portfolio investments in equity instruments that are quoted in an active market, which are measured at fair value. Financial assets measured at cost include cash and restricted cash. Financial assets measured at amortized cost include accounts receivable. Financial liabilities measured at cost include accounts payable and accrued liabilities and due to the Rooms Foundation.

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

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.

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

(c) Cash

Cash includes cash in bank.

(d) Inventory held for resale

Inventory held for resale includes items purchased for resale in the gift shop and are recorded at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis.

(e) Collections

The collections of art work, archival documents and historical and cultural artifacts form the largest part of the assets of the Corporation. These collections are not presented in the statement of financial position due to the practical difficulties of determining a meaningful value for these assets. The acquisition of purchased works of art and artifacts is recorded as an expense.

2. Summary of significant accounting policies (cont.)

(f) Tangible capital assets (cont.)

Tangible capital assets to which the Corporation has title are recorded at cost at the time of acquisition.

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

Furniture	7 years
Equipment	3 years
Motor vehicles	5 years
Building improvements	7 to 20 years

Work in progress is considered to be a tangible capital asset, however, it is not amortized as it is not yet available for use. Upon completion, these assets will be recorded in the appropriate category.

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

Contributed tangible capital assets are recorded as revenue at their fair market value on the date of donation, except in circumstances where fair value cannot be reasonably determined, when they are then recognized at nominal value. Transfers of tangible capital assets from related parties are recorded at carrying value.

(g) Employee future benefits

Employee future benefits include severance pay and accumulating non-vesting sick leave benefits.

(i) Severance is accounted for on an accrual basis and is calculated based upon years of service and current salary levels.

(ii) The cost of accumulating non-vesting sick leave benefits is calculated based upon management's best estimates of its employees' sick leave utilization rates, sick leave balances, annual sick leave entitlements and current salary levels.

Under the *Rooms Act*, Corporation employees shall be considered to be employed in the public service for the purposes of 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.

2. Summary of significant accounting policies (cont.)

(h) Revenues

Revenues are recognized in the period in which the transaction 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 the estimation is impracticable.

Government transfers (Province of Newfoundland and Labrador operating grants and Government of Canada grants) 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.

(i) Donations

Donations are comprised of contributions received from individuals, foundations and corporations.

Unrestricted contributions are recognized as revenue in the statement of operations when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributions externally restricted for specific projects or expenses are recognized as deferred revenue in the statement of financial position and recognized in the statement of operations in the fiscal year in which the related expenses are incurred.

(j) Expenses

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

(k) Volunteers

During the year, volunteers contributed significant hours in support of the Corporation. Their activities include guided gallery and museum tours and a variety of programs that enrich the visitor's experience at the Corporation's facilities and its profile in the community. Due to the complexities involved in valuing these services, they have not been reflected in the financial statements.

2. Summary of significant accounting policies (cont.)

(l) 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 collectability of accounts receivable, the expected useful life of tangible capital assets, the probability of having to pay future severance benefits to employees with less than 9 years of service and the probability of future sick leave benefits being utilized by employees.

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
Province of Newfoundland and Labrador	**$ 36,540**	$ 234,027
Harmonized Sales Tax	**578,610**	547,004
Other	**277,633**	45,086
	892,783	826,117
Less: Allowance for doubtful accounts	**(314,605)**	(8,675)
	$ 578,178	$ 817,442

4. Restricted cash

The following funds, which have external conditions placed on their use, have been received and deposited with the Corporation's general funds and are reported in these financial statements as restricted cash.

	2014	2013
Provincial Government - Logger's Life Museum	**$ 6,650**	$ -
Private Donor - Site Development	**-**	207,164
Private Donor - First World War Exhibit	**357,109**	-
Private Donor - Archives Programming	**44,808**	-
Corporate Donor - Educational Programming	**51,000**	-
Corporate Donor - 4th Floor	**-**	1,234,769
Permanent Collections Donations	**15,625**	15,625
Private Donor - B-17 Bomber Exhibit	**1,600**	1,600
	$ 476,792	$ 1,459,158

5. Portfolio investments

Portfolio investments consist of 3,389.787 shares of Sprott Resources which were given to the Corporation as a donation towards the First World War Exhibit. The carrying value of the shares is equal to their market price at the time of transfer to the Corporation.

	Market Value		Carrying Value	
	2014	**2013**	**2014**	**2013**
Investments held Sprott Resources - 3,389.787 shares	$ 23,156	$ -	$ 23,731	$ -

6. Accounts payable and accrued liabilities

	2014	2013
Trade accounts payable	**$ 791,385**	$ 1,495,299
Accrued salaries	**136,621**	62,697
Accrued overtime and leave	**270,114**	320,670
	$ 1,198,120	$ 1,878,666

7. Due to the Rooms Foundation

The Rooms Foundation of Newfoundland and Labrador Corporation (the Foundation) was incorporated on March 11, 2009 under the *Corporations Act* and in accordance with Section 8(7) of the *Rooms Act*. The Foundation's operations are not consolidated into the Corporation's financial statements. As at March 31, 2014, the Corporation owed the Foundation $308,840 (2013 - nil).

8. Deferred revenue

Deferred revenues are set aside for specific purposes as required either by legislation, regulation or agreement. Since the conditions relating to their use have not been met, recognition of the revenues has been deferred and the funds are recorded as restricted cash as disclosed in Note 4 and as portfolio investments as disclosed in Note 5. As at March 31, 2014, the following funds had been received by the Corporation and reported as follows:

8. Deferred revenue (cont.)

	Balance at beginning of year	Receipts during year	Transferred to revenue/Rooms Foundation	Balance at end of year
Donations	$ 1,459,158	$ 836,332	$ 2,110,458	**$ 185,032**
Provincial Government	-	25,000	18,350	**6,650**
Government of Canada	-	188,573	188,573	**-**
Other	-	10,000	10,000	**-**
	$ 1,459,158	$ 1,059,905	$ 2,327,381	**$ 191,682**

9. Employee future benefits

Employee future benefits consists of:

	2014	2013
Severance pay (a)	**$ 646,894**	$ 652,553
Accumulating non-vesting sick leave benefit liability (b)	**202,777**	227,665
	$ 849,671	$ 880,218

(a) Severance pay

Severance pay consists of the severance pay liability related to the following employees:

	2014	2013
Employees with 9 or more years of service	**$ 550,015**	$ 572,777
Employees with less than 9 years of service	**96,879**	79,776
	$ 646,894	$ 652,553

(b) Accumulating non-vesting sick leave benefit liability

	2014	2013
Accumulating non-vesting sick leave benefit liability	**$ 202,777**	$ 227,665

9. Employee future benefits (cont.)

(c) Employee future benefits (recovery) expense

	2014	2013
Severance pay (recovery) expense	$ (5,659)	$ 39,014
Accumulating non-vesting sick leave benefit recovery	(24,888)	(6,048)
	$ (30,547)	$ 32,966

(d) Employee future benefits

i. Severance pay

Severance is accounted for on an accrual basis and is calculated based upon years of service and current salary levels. The right to be paid severance vests with employees with nine years of continuous service, and accordingly a liability has been recorded by the Corporation for these employees. For employees with less than nine years of continuous service, the Corporation has made a provision in the accounts for the payment of severance which is based upon the Corporation'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 Corporation provided no severance has been paid by Government or another Crown corporation or agency for the same period and the employee has at least nine years of continuous service.

ii. Accumulating non-vesting sick leave benefits

All unionized employees hired before May 4, 2004, are credited with 2 days per month and all unionized employees hired thereafter are credited with 1 day per month for use as paid absences in the year due to illness. Employees are allowed to accumulate unused sick day credits each year, up to the allowable maximum provided in their respective employment agreement. Accumulated credits may be used in future years to the extent that the employee's illness 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. For the year ended March 31, 2014, a sick leave liability was calculated for 59 employees.

9. Employee future benefits (cont.)

(d) Employee future benefits (cont.)

iii. Pension contributions

Under the *Rooms Act*, the Corporation's staff is subject to the *Public Service Pensions Act*. The Province of Newfoundland and Labrador administers the payroll processing for the majority of the Corporation's staff. Employee contributions are matched by the Province, on behalf of 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. The Plan is a multi-employer, defined benefit plan, providing a pension on retirement 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 Corporation is not required to make contributions in respect of any actuarial deficiencies of the plan. The Corporation's share of pension contributions for 2014 was $229,237 (2013 - $306,371). These contributions are included in employee future benefits expense and as revenue from the Province of Newfoundland and Labrador.

Certain employees who transferred to the Corporation from Memorial University of Newfoundland (MUN) continue to have their payroll administered by MUN, including pension benefits. MUN invoices the Corporation for the employer share of pension contributions which are then remitted to the Memorial University of Newfoundland Pension Fund from which pensions will be paid to employees when they retire. The Corporation's share of pension contributions related to these employees for 2014 was $9,709 (2013 - $9,425).

10. Tangible capital assets

Original Cost

	Balance March 31, 2013	Additions	Disposals/ Transfers	Balance March 31, 2014
Furniture	$ 671,009	$ 675	$ -	$ 671,684
Equipment	625,378	51,554	-	676,932
Motor vehicles	62,714	-	-	62,714
Building improvements	2,368,583	4,383,300	-	6,751,883
Capital assets transferred (Note 11)	1	-	-	1
Work in progress	2,966,612	2,657,664	4,383,300	1,240,976
	$ 6,694,297	$ 7,093,193	$ 4,383,300	$ 9,404,190

10. Tangible capital assets (cont.)

Accumulated Amortization

	Balance March 31, 2013	Amortization	Disposals	Balance March 31, 2014	Net book value March 31, 2014	Net book value March 31, 2013
Furniture	$ 549,871	$ 66,454	$ -	$ 616,325	**$ 55,359**	$ 121,138
Equipment	586,516	28,070	-	614,586	**62,346**	38,862
Motor vehicles	62,714	-	-	62,714	**-**	-
Building improvements	304,234	235,165	-	539,399	**6,212,484**	2,064,349
Capital assets transferred (Note 11)	1	-	-	1	**-**	-
Work in progress	-	-	-	-	**1,240,976**	2,966,612
	$ 1,503,336	$ 329,689	$ -	$ 1,833,025	**$ 7,571,165**	$ 5,190,961

These financial statements do not include the value of "The Rooms" building out of which the Archives, Art Gallery and Museum Divisions of the Corporation operate. Ownership of the building, which cost $49.3 million to construct, is held by the Minister of Transportation and Works on behalf of the Province. Ownership of buildings located throughout the Province which house regional museums are also held by the Minister of Transportation and Works on behalf of the Province.

11. Capital assets transferred to the Corporation

During 2003-04, The Rooms Corporation of Newfoundland and Labrador Inc. assumed title to the capital assets of the Provincial Archives, the Provincial Museum and the Art Gallery of Newfoundland and Labrador. These assets have been transferred to the Corporation. The costs and accumulated amortization of these assets are unknown and a reasonable estimate of the amounts involved could not be determined. Therefore, the cost has been recorded as $1 and the accumulated amortization has been recorded at $1.

12. Commercial operations

Commercial operations revenue is comprised as follows:

	2014	2013
Admission revenue	**$ 409,801**	$ 445,712
Gift shop sales	**289,524**	264,625
Other revenue	**159,850**	127,988
Interest income	**150,690**	102,335
	$ 1,009,865	$ 940,660

13. Related party transactions

(a) Province of Newfoundland and Labrador

The Corporation is a Crown Corporation of the Province of Newfoundland and Labrador reporting through the Minister of the Department of Tourism, Culture and Recreation. Expenses incurred by the Province, related to salaries and benefits totaling $4,511,160 (2013 - $5,120,339), are reflected in these financial statements as expenses of the Corporation and as revenue from the Province. Included in this total is $539,197 (2013 - $636,440), related to the employer's share of employee benefits, paid by the Department of Finance on behalf of the Corporation.

The Office of the Chief Information Officer (OCIO), an entity within the Executive Council of the Province, is developing a collections database for the Corporation's Art Gallery and Museum. Professional services costs of $13,360 (2013 - $41,920) have been financed by the OCIO and are reflected in these financial statements.

The Province provides the Corporation with buildings and space, and related building services, for use as regional museums, storage and workshops in various locations throughout the Province at no cost to the Corporation. Legal services and some information technology services are also provided to the Corporation by the Province at no cost to the Corporation. The value of these spaces and the services provided is not readily determinable and therefore are not reflected in these financial statements.

(b) Memorial University of Newfoundland

Certain employees who transferred to the Corporation from Memorial University of Newfoundland (MUN) continue to have their payroll administered by MUN. MUN invoices the Corporation for actual costs incurred. Expenses related to salaries and benefits totaling $145,010 (2013 - $141,761) were invoiced by MUN during the year.

14. Contractual obligations

(a) Facility Management Contract

The Corporation has entered into an annual facility management contract representing commitments of approximately $175,000 per month. The contract automatically renews every September 30 unless the Corporation provides notice of its intent to terminate the contract no less than sixty days prior to September 30.

(b) First World War Contract

The Corporation has entered into an agreement for the design, fabrication and installation for the First World War Exhibition in the Level 2 museum gallery of "The Rooms" building. The total contract value is $1.9 million and the work is to be substantially completed by June 2016. Of this total amount, $26,775 has been expended to March 31, 2014.

(c) Equipment Leases

The Corporation has entered into lease agreements for the rental of office equipment. Approximate payment of these obligations in future years is as follows:

2015	$ 6,670
2016	3,644
2017	1,820
2018	645
	$ 12,779

15. Colonial Building Political History Interpretation Project

Under a Memorandum of Understanding between the Corporation and the Province signed on March 31, 2009, the Corporation, as Project sponsor, became responsible for financial administration of a Project to renovate the Colonial Building into a heritage interpretation centre. The original Memorandum of Understanding was replaced by a new Memorandum of Understanding that was signed on December 14, 2011. Under the new Memorandum of Understanding, the Corporation continued as Project sponsor until the Project's expected completion in December 2016.

On December 1, 2008, an Agreement (the Agreement) respecting a Project called "Colonial Building Political History Interpretation" was signed between the Corporation and the Government of Canada. The Agreement provided funding for the renovation of the Colonial Building in the maximum amount of $748,335. On March 8, 2010, the Agreement was amended to reduce the maximum contribution from the Government of Canada to $695,512.

15. Colonial Building Political History Interpretation Project (cont.)

As title to and use of the Colonial Building remains with the Province, the Corporation does not capitalize the renovations to the Colonial Building. Additionally, expenses of the project are not reported on the Corporation's statement of operations, and the unexpended funds held in trust are not reported on the Corporation's statement of financial position. The Corporation is provided with an annual administration fee that is recorded as revenue. In addition, interest earned on the funds held in trust is recorded as revenue by the Corporation.

Since the start of the agreement to March 31, 2014, the Corporation has received funds totaling \$22,465,112 (2013 - \$12,888,861) and incurred expenses totaling \$6,828,548 (2013 - \$5,366,215) related to the Project. During the year ended March 31, 2014, expenses of \$1,462,333 (2013 - \$2,400,249) were incurred related to the Project. The balance of funds held in trust by the Corporation as at March 31, 2014 was \$15,636,564 (2013 - \$7,522,646).

16. Donated acquisitions

Donated acquisitions, or non-cash gifts, are gifts of art work, archival documents and historical and cultural artifacts that the Corporation has received, and for which a tax receipt has been issued to the donor based on an appraised value, and are included in the Corporation's permanent collections. Donated acquisitions are not reflected in the Corporation's financial statements. During the year, the Corporation issued receipts for non-cash donations of \$357,211 (2013 - \$735,102).

17. Budget

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 Corporation's Board.

18. 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 were no significant changes in the Corporation's exposure to these risks or its processes for managing these risks from the prior year, except for the market risk associated with portfolio investments.

<u>Credit risk</u>

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, restricted 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 and restricted cash because these financial instruments are held with a Chartered Bank. The Corporation is not exposed to significant credit risk related to its accounts receivable as it has policies and procedures for the monitoring and collection of its accounts receivable so as to mitigate potential credit losses. Any estimated impairment of these accounts receivable has been provided for through a provision for doubtful accounts as disclosed in Note 3.

18. 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, due to the Rooms Foundation, and its contractual obligations. The Corporation manages liquidity risk by monitoring its cash flows and ensuring that it has sufficient resources available to meet its contractual obligations and financial liabilities. The future minimum payments required from the Corporation in relation to its contractual obligations are outlined in Note 14.

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 risk. The Corporation is not exposed to significant interest rate risk related to cash or restricted cash because of its nature.

The Corporation is exposed to other price risk on its portfolio investments (equity investments) as the investments are quoted in an active market in which share pricing can fluctuate. The Corporation's maximum other price risk is limited to the fair value of the shares as at March 31, 2014. As the Corporation's investment consists of approximately 3,390 shares, any price fluctuation of $1 to the quoted market price will result in an unrecognized gain or loss of $3,390 for the Corporation.

19. 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.

THE ROOMS CORPORATION OF NEWFOUNDLAND AND LABRADOR

SCHEDULE 1

REVENUES AND EXPENSES BY SECTOR

For the Year Ended March 31, 2014

	Corporate Services and Building Operations	Archives Division	Art Gallery Division	Museum Division and Regional Museums	Education Programs	2014 Total	2013 Total
REVENUES							
Province of Newfoundland & Labrador							
Operating grants	$6,043,127	$ 78,738	$ 125,000	$ 18,350	$ -	$6,265,215	$7,160,430
Contribution to employee benefits (Note 13)	196,571	109,056	45,171	137,670	50,729	539,197	636,440
Commercial operations (Note 12)	880,023	17,903	89,534	9,585	12,820	1,009,865	940,660
Government of Canada	-	4,492	283,573	-	-	288,065	257,561
Corporate sponsorship	284,000	-	-	-	-	284,000	137,300
External funding	-	38,957	7,500	-	-	46,457	14,571
	7,403,721	249,146	550,778	165,605	63,549	8,432,799	9,146,962
EXPENSES							
Advertising and promotion	198,480	489	4,502	9,153	660	213,284	303,522
Amortization	329,689	-	-	-	-	329,689	281,725
Appraisals and acquisitions	-	6,815	106,833	8,002	-	121,650	137,641
Bad debt expense	305,930	-	-	-	-	305,930	-
Building expenses	1,903,123	-	-	-	-	1,903,123	1,965,311
Conference and registration fees	6,551	1,255	1,109	4,202	1,113	14,230	14,485
Core programming	156,772	26,921	207,060	81,853	66,403	539,009	650,952
Cost of gift shop sales	263,197	-	-	-	-	263,197	206,815
Employee future benefits	160,014	99,196	45,805	135,505	60,206	500,726	669,406
Loss on sale of portfolio investments	359	-	-	-	-	359	-
Meeting expenses	12,547	776	154	1,948	268	15,693	21,656
Office equipment and supplies	46,334	11,563	5,937	9,974	1,025	74,833	63,367
Professional services	169,543	7,965	20,958	33,667	7,006	239,139	192,956
Salaries	1,342,942	821,222	469,001	983,054	355,744	3,971,963	4,483,899
Telecommunications and courier	80,861	2,780	5,813	10,773	3,697	103,924	80,977
Travel	63,210	6,631	26,698	26,019	1,862	124,420	124,371
	5,039,552	985,613	893,870	1,304,150	497,984	8,721,169	9,197,083
Annual operating surplus (deficit), prior to capital improvement donations	2,364,169	(736,467)	(343,092)	(1,138,545)	(434,435)	(288,370)	(50,121)
Capital improvement donations	1,630,784	-	-	-	-	1,630,784	1,364,858
Annual operating surplus (deficit)	$3,994,953	$(736,467)	$(343,092)	$(1,138,545)	$(434,435)	$1,342,414	$1,314,737

THE ROOMS CORPORATION OF NEWFOUNDLAND AND LABRADOR

FINANCIAL STATEMENTS

MARCH 31, 2015

Management's Report

Management's Responsibility for The Rooms Corporation of Newfoundland and Labrador Financial Statements

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

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

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

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and exercises these responsibilities through the Board. The Board reviews internal financial information 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 Rooms Corporation of Newfoundland and Labrador.

On behalf of The Rooms Corporation of Newfoundland and Labrador.

Dean Brinton
Mr. Dean Brinton
Chief Executive Officer

Donna Marie Humphries
Ms. Donna Marie Humphries, CPA, CGA
Director of Finance

AUDITOR
GENERAL
of Newfoundland and Labrador

INDEPENDENT AUDITOR'S REPORT

To the Chairperson and Members
The Rooms Corporation of
Newfoundland and Labrador
St. John's, Newfoundland and Labrador

Report on the Financial Statements

I have audited the accompanying financial statements of The Rooms Corporation of Newfoundland and Labrador which comprise the statement of financial position as at March 31, 2015, the statements of operations, remeasurement gains and losses, change in net (debt) 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 Rooms Corporation of Newfoundland and Labrador as at March 31, 2015, and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

TERRY PADDON, CPA, CA
Auditor General

August 20, 2015
St. John's, Newfoundland and Labrador

THE ROOMS CORPORATION OF NEWFOUNDLAND AND LABRADOR
STATEMENT OF FINANCIAL POSITION

As at March 31	2015	2014
FINANCIAL ASSETS		
Cash	$ -	$ 739,543
Accounts receivable (Note 3)	863,484	578,178
Due from the Rooms Foundation (Note7)	676,755	-
Inventory held for resale	148,161	141,055
Restricted cash (Note 4)	210,874	476,792
Portfolio investments (Note 5)	20,042	23,156
	1,919,316	1,958,724
LIABILITIES		
Bank indebtedness	397,861	-
Accounts payable and accrued liabilities (Note 6)	686,989	1,198,120
Due to the Rooms Foundation (Note 7)	-	308,840
Employee future benefits (Note 9)	882,154	849,671
Deferred revenue (Note 8)	350,874	191,682
	2,317,878	2,548,313
Net debt	(398,562)	(589,589)
NON-FINANCIAL ASSETS		
Prepaid expenses	5,722	2,250
Tangible capital assets (Note 10)	8,000,356	7,571,165
	8,006,078	7,573,415
Accumulated surplus	$ 7,607,516	$ 6,983,826
Accumulated surplus is comprised of:		
Accumulated operating surplus	$ 7,611,205	$ 6,984,401
Accumulated remeasurement losses	(3,689)	(575)
	$ 7,607,516	$ 6,983,826

Contractual obligations (Note 14)
Trusts (Note 15)

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

Signed on behalf of the Board: _______________ Chairperson _______________ Member

THE ROOMS CORPORATION OF NEWFOUNDLAND AND LABRADOR
STATEMENT OF OPERATIONS
For the Year Ended March 31

	2015 Budget (Note 17)	2015 Actual	2014 Actual
REVENUES (Schedule 1)			
Province of Newfoundland and Labrador			
Operating grants	$ 6,137,600	$ 6,147,665	$ 6,265,215
Contributions to employee benefits (Note 13)	-	611,715	539,197
Commercial operations (Note 12)	894,900	1,063,455	1,009,865
Government of Canada	255,000	111,332	288,065
Corporate sponsorship	170,000	173,500	284,000
External funding	-	54,543	46,457
	7,457,500	8,162,210	8,432,799
EXPENSES (Schedule 1)			
Archives division	878,841	1,006,478	985,613
Art gallery division	880,761	939,629	893,870
Corporate services and building operations	4,096,315	4,983,234	5,039,552
Education programs	473,027	497,585	497,984
Museum division and regional museums	1,128,556	1,306,695	1,304,150
	7,457,500	8,733,621	8,721,169
Annual operating deficit, prior to capital improvement donations	-	(571,411)	(288,370)
Capital improvement donations	-	1,198,215	1,630,784
Annual operating surplus	-	626,804	1,342,414
Accumulated operating surplus, beginning of year	6,984,401	6,984,401	5,641,987
Accumulated operating surplus, end of year	$ 6,984,401	$ 7,611,205	$ 6,984,401

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

THE ROOMS CORPORATION OF NEWFOUNDLAND AND LABRADOR
STATEMENT OF REMEASUREMENT GAINS AND LOSSES

For the Year Ended March 31	2015	2014
Accumulated remeasurement losses, beginning of year	**$ (575)**	$ -
Unrealized losses attributable to:		
Portfolio investments	**(3,114)**	(934)
Amounts reclassified to statement of operations:		
Portfolio investments	**-**	359
Net remeasurement losses for the year	**(3,114)**	(575)
Accumulated remeasurement losses, end of year	**$ (3,689)**	$ (575)

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

THE ROOMS CORPORATION OF NEWFOUNDLAND AND LABRADOR
STATEMENT OF CHANGE IN NET (DEBT) FINANCIAL ASSETS
For the Year Ended March 31

	2015 Budget (Note 17)	2015 Actual	2014 Actual
Annual operating surplus	$ -	$ 626,804	$ 1,342,414
Changes in tangible capital assets			
Acquisition of tangible capital assets, net of disposals/transfers	-	(833,914)	(2,709,893)
Amortization of tangible capital assets	-	404,723	329,689
	-	(429,191)	(2,380,204)
Changes in other non-financial assets			
Acquisition (usage) of prepaid expenses	-	(3,472)	(2,250)
	-	(3,472)	(2,250)
Net remeasurement losses	-	(3,114)	(575)
Decrease in net debt (decrease in net financial assets and increase in net debt)	-	191,027	(1,040,615)
Net (debt) financial assets, beginning of year	(589,589)	(589,589)	451,026
Net debt, end of year	$ (589,589)	$ (398,562)	$ (589,589)

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

THE ROOMS CORPORATION OF NEWFOUNDLAND AND LABRADOR
STATEMENT OF CASH FLOWS

For the Year Ended March 31	2015	2014
Operating transactions		
Annual operating surplus	$ 626,804	$ 1,342,414
Adjustment for non-cash items		
Amortization	404,723	329,689
Bad debt expense	253,976	305,930
	1,285,503	1,978,033
Change in non-cash operating items		
Accounts receivable	(224,677)	(66,666)
Allowance for doubtful accounts written off	(314,605)	-
Due from the Rooms Foundation	(676,755)	-
Inventory held for resale	(7,106)	(24,447)
Restricted cash	265,918	982,366
Accounts payable and accrued liabilities	(511,131)	(680,546)
Due to the Rooms Foundation	(308,840)	308,840
Employee future benefits	32,483	(30,547)
Deferred revenue	159,192	(1,267,476)
Prepaid expenses	(3,472)	(2,250)
Cash (applied to) provided from operating transactions	(303,490)	1,197,307
Capital transactions		
Additions to capital assets, net of disposals/transfers	(833,914)	(2,709,893)
Cash applied to capital transactions	(833,914)	(2,709,893)
Investing transactions		
Acquisition of portfolio investments	-	(71,639)
Proceeds from disposals of portfolio investments	-	47,908
Cash applied to investing transactions	-	(23,731)
Decrease in cash	(1,137,404)	(1,536,317)
Cash, beginning of year	739,543	2,275,860
Cash (bank indebtedness), end of year	$ (397,861)	$ 739,543

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

1. Nature of operations

The Rooms Corporation of Newfoundland and Labrador (the Corporation) was established as a corporation under the *Rooms Act* on May 19, 2005. In accordance with the *Rooms Act*, the Corporation assumed title to and has been vested with all of the rights, liabilities, assets and property of The Rooms Corporation of Newfoundland and Labrador Inc. established as a corporation under the *Corporations Act* on November 18, 2002. The Corporation was established to: collect, preserve, present and make available for research, historic artifacts, natural history specimens and archival records that represent and illustrate the significant history, culture and natural heritage of the Province; conduct research with respect to the history, natural history, culture and heritage of the Province; collect and present provincial, national and international contemporary and historic art; advance and promote the works of contemporary visual artists of the Province; support the development of cultural industries in the Province; strengthen the culture of the Province; and provide and enhance client services and partnerships to promote the cultural collections of the Province and to show other national and international collections. The Corporation is an agent of the Crown. The affairs of the Corporation are governed by a Board of Directors appointed by the Lieutenant-Governor in Council. The Rooms is located in St. John's, with regional facilities located in Grand Falls-Windsor (Mary March Provincial Museum and Loggers' Life Provincial Museum), Grand Bank (Provincial Seamen's Museum), and North West River (Labrador Interpretation Centre).

The Corporation is a Crown entity of the Province of Newfoundland and Labrador and as such is not subject to Provincial or Federal income taxes under Section 149 (1) (d) of the *Income Tax Act*.

2. Summary of significant accounting policies

(a) Basis of accounting

The Corporation is classified as a Government Not-For-Profit Organization as defined by the Canadian public sector accounting standards (CPSAS). These financial statements have been prepared by the Corporation's management in accordance with CPSAS for provincial reporting entities established by the Canadian 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 restricted cash, accounts receivable, due from the Rooms Foundation, portfolio investments, bank indebtedness, 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.

2. Summary of significant accounting policies (cont.)

(b) Financial instruments (cont.)

The Corporation subsequently measures all of its financial assets and financial liabilities at cost or amortized cost except for portfolio investments in equity instruments that are quoted in an active market, which are measured at fair value. Financial assets measured at cost include restricted cash, accounts receivable and due from the Rooms Foundation. Financial liabilities measured at cost include bank indebtedness, and accounts payable and accrued liabilities.

The carrying values of restricted cash, accounts receivable, due from the Rooms Foundation, bank indebtedness, accounts payable and accrued liabilities approximate current fair value due to their nature and/or the short-term maturity associated with these instruments.

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.

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

(c) Cash

Cash includes cash in bank.

(d) Inventory held for resale

Inventory held for resale includes items purchased for resale in the gift shop and are recorded at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis.

(e) Collections

The collections of art work, archival documents and historical and cultural artifacts form the largest part of the assets of the Corporation. These collections are not presented in the statement of financial position due to the practical difficulties of determining a meaningful value for these assets. The acquisition of purchased works of art and artifacts is recorded as an expense.

2. Summary of significant accounting policies (cont.)

(f) Tangible capital assets

Tangible capital assets to which the Corporation has title are recorded at cost at the time of acquisition.

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

Furniture	7 years
Equipment	3 years
Motor vehicles	5 years
Building improvements	7 to 20 years

Work in progress is considered to be a tangible capital asset, however, it is not amortized as it is not yet available for use. Upon completion, these assets will be recorded in the appropriate category.

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

Contributed tangible capital assets are recorded as revenue at their fair market value on the date of donation, except in circumstances where fair value cannot be reasonably determined, when they are then recognized at nominal value. Transfers of tangible capital assets from related parties are recorded at carrying value.

(g) Employee future benefits

Employee future benefits include severance pay and accumulating, non-vesting sick leave benefits.

(i) Severance is accounted for on an accrual basis and is calculated based upon years of service and current salary levels.

(ii) The cost of accumulating, non-vesting sick leave benefits is calculated based upon management's best estimates of its employees' sick leave utilization rates, sick leave balances, annual sick leave entitlements and current salary levels.

2. Summary of significant accounting policies (cont.)

(g) Employee future benefits (cont.)

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

During the year, there were significant changes made to the Public Service Pension Plan. The changes include: increases in contribution rates of between 2.15% and 3.25% of pensionable earnings; calculation of pension benefits, for service on or after January 1, 2015, using the average of the best six years of earnings rather than the average of the best five years of earnings; calculation of pension benefits, for service before January 1, 2015, using the higher of the average of the frozen best 5 years of earnings up to January 1, 2015, or the average of the best 6 years of earnings for all service rather than the average of the best five years of earnings; and increases in the minimum age and/or service requirements for early retirement with an unreduced pension benefit. Employees who are eligible, or become eligible, to retire on or before January 1, 2020, are exempt from increases in the minimum age and/or service requirements for early retirement with an unreduced pension benefit.

The contribution of the Corporation to the plan is recorded as an expense for the year.

(h) Revenues

Revenues are recognized in the period in which the transaction 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 the estimation is impracticable.

Government transfers (Province of Newfoundland and Labrador operating grants and Government of Canada grants) 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.

2. Summary of significant accounting policies (cont.)

(i) Donations

Donations are comprised of contributions received from individuals, foundations and corporations.

Unrestricted contributions are recognized as revenue in the statement of operations when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributions externally restricted for specific projects or expenses are recognized as deferred revenue in the statement of financial position and recognized in the statement of operations in the fiscal year in which the related expenses are incurred.

(j) Expenses

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

(k) Volunteers

During the year, volunteers contributed significant hours in support of the Corporation. Their activities include guided gallery and museum tours and a variety of programs that enrich the visitor's experience at the Corporation's facilities and its profile in the community. Due to the complexities involved in valuing these services, they have not been reflected in the financial statements.

(l) 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 collectability of accounts receivable, the expected useful life of tangible capital assets, the probability of having to pay future severance benefits to employees with less than 9 years of service and the probability of future sick leave benefits being utilized by employees.

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

	2015	2014
Province of Newfoundland and Labrador	$ 688,092	$ 36,540
Harmonized Sales Tax	196,859	578,610
Other	232,509	277,633
	1,117,460	892,783
Less: Allowance for doubtful accounts	(253,976)	(314,605)
	$ 863,484	$ 578,178

4. Restricted cash

The following funds, which have external conditions placed on their use, have been received and deposited with the Corporation's general funds and are reported in these financial statements as restricted cash.

	2015	2014
Provincial Government - Logger's Life Museum	$ 6,650	$ 6,650
Private Donor - First World War Exhibit	134,499	357,109
Private Donor - Archives Programming	-	44,808
Corporate Donor - Educational Programming	52,500	51,000
Permanent Collections Donations	15,625	15,625
Private Donor - B-17 Bomber Exhibit	1,600	1,600
	$ 210,874	$ 476,792

5. Portfolio investments

Portfolio investments consist of 3,433.585 shares of Sprott Resources which were given to the Corporation as a donation towards the First World War Exhibit. The carrying value of the shares is equal to their market price at the time of transfer to the Corporation.

	Market Value		Carrying Value	
	2015	**2014**	**2015**	**2014**
Investments held Sprott Resources - 3,433.585 shares	$ 20,042	$ 23,156	$ 23,731	$ 23,731

6. Accounts payable and accrued liabilities

	2015	2014
Trade accounts payable	**$ 367,504**	$ 791,385
Accrued salaries	**72,801**	136,621
Accrued overtime and leave	**246,684**	270,114
	$ 686,989	$ 1,198,120

7. Due from/to the Rooms Foundation

The Rooms Foundation of Newfoundland and Labrador Corporation (the Foundation) was incorporated on March 11, 2009 under the *Corporations Act* and in accordance with Section 8(7) of the *Rooms Act*. The Foundation's operations are not consolidated into the Corporation's financial statements. As at March 31, 2015, the Foundation owed the Corporation $676,755 (2014 - due to the Foundation $308,840).

8. Deferred revenue

Deferred revenues are set aside for specific purposes as required either by legislation, regulation or agreement. Since the conditions relating to their use have not been met, recognition of the revenues has been deferred and the funds are recorded as restricted cash as disclosed in Note 4 and $140,000 is included in accounts receivable. As at March 31, 2015, the following funds had been received or receivable by the Corporation and reported as follows:

8. Deferred revenue (cont.)

	Balance at beginning of year	Receipts during year	Transferred to revenue	Balance at end of year
Donations	$ 185,032	$ 115,000	$ 95,808	**$ 204,224**
Provincial Government	6,650	140,000	-	**146,650**
	$ 191,682	$ 255,000	$ 95,808	**$ 350,874**

9. Employee future benefits

Employee future benefits consists of:

	2015	2014
Severance pay (a)	**$ 669,179**	$ 646,894
Accumulating, non-vesting sick leave benefit liability (b)	**212,975**	202,777
	$ 882,154	$ 849,671

(a) Severance pay

Severance pay consists of the severance pay liability related to the following employees:

	2015	2014
Employees with 9 or more years of service	**$ 591,816**	$ 550,015
Employees with less than 9 years of service	**77,363**	96,879
	$ 669,179	$ 646,894

(b) Accumulating, non-vesting sick leave benefit liability

	2015	2014
Accumulating, non-vesting sick leave benefit liability	**$ 212,975**	$ 202,777

9. Employee future benefits (cont.)

(c) Employee future benefits expense (recovery)

		2015		2014
Severance pay expense (recovery)	**$**	**22,285**	$	(5,659)
Accumulating non-vesting sick leave benefit expense (recovery)		**10,198**		(24,888)
	$	**32,483**	$	(30,547)

(d) Employee future benefits

i. Severance pay

Severance is accounted for on an accrual basis and is calculated based upon years of service and current salary levels. The right to be paid severance vests with employees with nine years of continuous service, and accordingly a liability has been recorded by the Corporation for these employees. For employees with less than nine years of continuous service, the Corporation has made a provision in the accounts for the payment of severance which is based upon the Corporation'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 Corporation provided no severance has been paid by Government or another Crown corporation or agency for the same period and the employee has at least nine years of continuous service.

ii. Accumulating, non-vesting sick leave benefits

All unionized employees hired before May 4, 2004, are credited with 2 days per month and all unionized employees hired thereafter are credited with 1 day per month for use as paid absences in the year due to illness. Employees are allowed to accumulate unused sick day credits each year, up to the allowable maximum provided in their respective employment agreement. Accumulated credits may be used in future years to the extent that the employee's illness 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. For the year ended March 31, 2015, a sick leave liability was calculated for 58 employees.

9. Employee future benefits (cont.)

(d) Employee future benefits (cont.)

iii. Pension contributions

The Corporation and its employees contribute to the Public Service Pension Plan in accordance with the *Public Service Pensions Act, 1991* (the *Act*). The plan will be administered by the Public Service Pension Plan Corporation, including payment of pension benefits to employees to whom the *Act* applies.

The plan provides a pension to employees based on their age at retirement, length of service and rates of pay. The maximum contribution rate for eligible employees was 11.85% (2014 - 8.6%). The Corporation's contributions equal 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, 2015, was $275,389 (2014 - $229,237).

Certain employees who transferred to the Corporation from Memorial University of Newfoundland (MUN) continue to have their payroll administered by MUN, including pension benefits. MUN invoices the Corporation for the employer share of pension contributions which are then remitted to the Memorial University of Newfoundland Pension Fund from which pensions will be paid to employees when they retire. The Corporation's share of pension contributions related to these employees for 2015 was $1,329 (2014 - $9,709).

10. Tangible capital assets

<u>**Original Cost**</u>

	Balance March 31, 2014	Additions	Disposals/ Transfers	Balance March 31, 2015
Furniture	$ 671,684	$ 1,550	$ -	$ 673,234
Equipment	676,932	11,514	-	688,446
Motor vehicles	62,714	-	-	62,714
Building improvements	6,751,883	-	12,052	6,739,831
Capital assets transferred (Note 11)	1	-	-	1
Work in progress	1,240,976	949,902	117,000	2,073,878
	$ 9,404,190	$ 962,966	$ 129,052	$ 10,238,104

10. Tangible capital assets (cont.)

Accumulated Amortization

	Balance March 31, 2014	Amortization	Disposals	Balance March 31, 2015	Net book value March 31, 2015	Net book value March 31, 2014
Furniture	$ 616,325	$ 31,323	$ -	$ 647,648	**$ 25,586**	$ 55,359
Equipment	614,586	34,563	-	649,149	**39,297**	62,346
Motor vehicles	62,714	-	-	62,714	**-**	-
Building improvements	539,399	338,837	-	878,236	**5,861,595**	6,212,484
Capital assets transferred (Note 11)	1	-	-	1	**-**	-
Work in progress	-	-	-	-	**2,073,878**	1,240,976
	$ 1,833,025	$ 404,723	$ -	$ 2,237,748	**$ 8,000,356**	$ 7,571,165

These financial statements do not include the value of "The Rooms" building out of which the Archives, Art Gallery and Museum Divisions of the Corporation operate. Ownership of the building, which cost $49.3 million to construct, is held by the Minister of Transportation and Works on behalf of the Province. Ownership of buildings located throughout the Province which house regional museums are also held by the Minister of Transportation and Works on behalf of the Province.

11. Capital assets transferred to the Corporation

During 2003-04, The Rooms Corporation of Newfoundland and Labrador Inc. assumed title to the capital assets of the Provincial Archives, the Provincial Museum and the Art Gallery of Newfoundland and Labrador. These assets have been transferred to the Corporation. The costs and accumulated amortization of these assets are unknown and a reasonable estimate of the amounts involved could not be determined. Therefore, the cost has been recorded as $1 and the accumulated amortization has been recorded at $1.

12. Commercial operations

Commercial operations revenue is comprised as follows:

	2015	2014
Admission revenue	**$ 398,163**	$ 409,801
Gift shop sales	**271,987**	289,524
Other revenue	**191,626**	159,850
Interest income	**201,679**	150,690
	$ 1,063,455	$ 1,009,865

13. Related party transactions

(a) Province of Newfoundland and Labrador

The Corporation is a Crown Corporation of the Province of Newfoundland and Labrador reporting through the Minister of the Department of Business, Tourism, Culture and Rural Development. Expenses incurred by the Province, related to salaries and benefits totaling $4,390,013 (2014 - $4,511,160), are reflected in these financial statements as expenses of the Corporation and as revenue from the Province. Included in this total is $611,715 (2014 - $539,197), related to the employer's share of employee benefits, paid by the Department of Finance on behalf of the Corporation.

The Office of the Chief Information Officer (OCIO), an entity within the Executive Council of the Province, is developing a collections database for the Corporation's Art Gallery and Museum. Professional services costs of $nil for 2015 fiscal year (2014 - $13,360) have been financed by the OCIO and are reflected in these financial statements.

The Province provides the Corporation with buildings and space, and related building services, for use as regional museums, storage and workshops in various locations throughout the Province at no cost to the Corporation. Legal services and some information technology services are also provided to the Corporation by the Province at no cost to the Corporation. The value of these spaces and the services provided is not readily determinable and therefore are not reflected in these financial statements.

(b) Memorial University of Newfoundland

Certain employees who transferred to the Corporation from Memorial University of Newfoundland (MUN) continued to have their payroll administered by MUN up to their retirement in May 2014. MUN invoiced the Corporation for actual costs incurred. Expenses related to salaries and benefits totaling $19,196 (2014 - $145,010) were invoiced by MUN during the year.

14. Contractual obligations

(a) Facility Management Contract

The Corporation has entered into an annual facility management contract representing commitments of approximately $175,000 per month. The contract automatically renews every September 30 unless the Corporation provides notice of its intent to terminate the contract no less than sixty days prior to September 30.

(b) First World War Contract

The Corporation has entered into an agreement for the design, fabrication and installation for the First World War Exhibition in the Level 2 museum gallery of "The Rooms" building. The total contract value is $1.9 million and the work is to be substantially completed by June 2016. During the year, the Corporation expended $164,003 (2014 - $26,775).

(c) Equipment and Vehicle Leases

The Corporation has entered into lease agreements for the rental of office equipment and a vehicle. Approximate payment of these obligations in future years is as follows:

2016	**$ 12,519**
2017	**10,503**
2018	**6,949**
	$ 29,971

15. Colonial Building Political History Interpretation Project

Under a Memorandum of Understanding between the Corporation and the Province signed on March 31, 2009, the Corporation, as Project sponsor, became responsible for financial administration of a Project to renovate the Colonial Building into a heritage interpretation centre. The original Memorandum of Understanding was replaced by a new Memorandum of Understanding that was signed on December 14, 2011. Under the new Memorandum of Understanding, the Corporation continued as Project sponsor until the Project's expected completion in Spring 2017.

On December 1, 2008, an Agreement (the Agreement) respecting a Project called "Colonial Building Political History Interpretation" was signed between the Corporation and the Government of Canada. The Agreement provided funding for the renovation of the Colonial Building in the maximum amount of $748,335. On March 8, 2010, the Agreement was amended to reduce the maximum contribution from the Government of Canada to $695,512.

15. Colonial Building Political History Interpretation Project (cont.)

As title to and use of the Colonial Building remains with the Province, the Corporation does not capitalize the renovations to the Colonial Building. Additionally, expenses of the project are not reported on the Corporation's statement of operations, and the unexpended funds held in trust are not reported on the Corporation's statement of financial position. The Corporation is provided with an annual administration fee that is recorded as revenue. In addition, interest earned on the funds held in trust is recorded as revenue by the Corporation.

Since the start of the agreement to March 31, 2015, the Corporation has received funds totaling \$22,465,112 (2014 - \$22,465,112) and incurred expenses totaling \$12,711,383 (2014 - \$6,828,548) related to the Project. During the year ended March 31, 2015, expenses of \$5,882,835 (2014 - \$1,462,333) were incurred related to the Project. The balance of funds held in trust by the Corporation as at March 31, 2015 was \$9,753,729 (2014 - \$15,636,564).

16. Donated acquisitions

Donated acquisitions, or non-cash gifts, are gifts of art work, archival documents and historical and cultural artifacts that the Corporation has received, and for which a tax receipt has been issued to the donor based on an appraised value, and are included in the Corporation's permanent collections. Donated acquisitions are not reflected in the Corporation's financial statements. During the year, the Corporation issued receipts for non-cash donations of \$155,338 (2014 - \$357,211).

17. Budget

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 Corporation's Board.

18. 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 were no significant changes in the Corporation's exposure to these risks or its processes for managing these risks from the prior year, except for the market risk associated with portfolio investments.

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 restricted cash, accounts receivable and due from the Rooms Foundation. 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 restricted cash because this financial instrument is held with a Chartered Bank. The Corporation is not exposed to significant credit risk related to its accounts receivable as it has policies and procedures for the monitoring and collection of its accounts receivable so as to mitigate potential credit losses. Any estimated impairment of these accounts receivable has been provided for through a provision for doubtful accounts as disclosed in Note 3. The Corporation is not exposed to significant credit risk related to its due from the Rooms Foundation because of its nature.

18. 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 bank indebtedness, accounts payable and accrued liabilities and its contractual obligations. The Corporation manages liquidity risk by monitoring its cash flows and ensuring that it has sufficient resources available to meet its contractual obligations and financial liabilities. The future minimum payments required from the Corporation in relation to its contractual obligations are outlined in Note 14.

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 risk. The Corporation is not exposed to significant interest rate risk related to bank indebtedness or restricted cash because of its nature.

The Corporation is exposed to other price risk on its portfolio investments (equity investments) as the investments are quoted in an active market in which share pricing can fluctuate. The Corporation's maximum other price risk is limited to the fair value of the shares as at March 31, 2015. As the Corporation's investment consists of approximately 3,434 shares, any price fluctuation of $1 to the quoted market price will result in an unrecognized gain or loss of $3,434 for the Corporation.

19. 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.

Consolidated Financial Statements

Western Regional Health Authority

March 31, 2015

Statement of responsibility

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

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 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 Board's appointed external auditors, have audited the consolidated financial statements. The auditor's report is addressed to 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 consolidated 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.

______________ Director ______________ Director

Independent auditors' report

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To the Board of Trustees

Western Regional Health Authority

We have audited the accompanying consolidated financial statements of Western Regional Health Authority, which comprise the consolidated statement of financial position as at March 31, 2015 and the consolidated statement 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.

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 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.

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 Western Regional Health Authority as at March 31, 2015 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.

Grant Thornton LLP

Corner Brook, Canada

June 18, 2015 Chartered Accountants

Western Regional Health Authority

Consolidated statement of financial position

March 31 (in thousands of dollars)		2015		2014
Financial assets				
Cash and cash equivalents	$	**12,116**	$	-
Receivables (Note 3)		**20,398**		26,430
Trust funds on deposit (Note 4)		**639**		638
Replacement reserve fund		**125**		133
Restricted cash – NLHBA funds on deposit (Note 5)		**-**		5,503
Restricted cash and investments		**157**		150
	$	**33,435**	$	32,854
Liabilities				
Bank indebtedness (Note 6)	$	**-**	$	1,455
Payables and accruals		**31,425**		31,294
Vacation pay accrual		**9,076**		8,659
Severance pay accrual (Note 7)		**30,435**		29,818
Sick leave accrual (Note 7)		**16,860**		16,967
Deferred contributions – operating		**9,521**		3,093
Deferred contributions – capital		**14,051**		13,694
Long term debt (Note 8 & 9)		**6,069**		6,781
NLHBA program liabilities (Note 5)		**-**		5,503
Trust funds payable		**639**		638
	$	**118,076**	$	117,902
Net debt	$	**(84,641)**	$	(85,048)
Non-financial assets				
Tangible capital assets (Note 10)	$	**70,623**	$	72,853
Inventory (Note 11)		**4,893**		5,061
Prepaid expenses		**6,356**		6,969
		81,872		84,883
Accumulated deficit	$	**(2,769)**	$	(165)

Contingencies and commitments (Note 12)

On behalf of the Board

____________ Member ____________ Member

See accompanying notes to the consolidated financial statements

Western Regional Health Authority
Consolidated statement of operations

Year ended March 31 (in thousands of dollars)	**Budget 2015 (Note 13)**	**Actual 2015**	Actual 2014
Revenue			
Provincial plan – operating grant	**$ 300,303**	**$ 300,303**	$ 287,879
Capital grant – provincial	**5,062**	**5,123**	5,021
Capital grant – other	**816**	**816**	562
National Child Benefit	**694**	**780**	831
Early Childhood Development	**359**	**359**	394
MCP physician revenue	**19,230**	**19,179**	19,084
Inpatient	**1,608**	**1,334**	1,583
Outpatient	**1,691**	**1,581**	1,678
Resident revenue – long term care	**8,020**	**7,978**	8,199
Mortgage interest subsidy	**22**	**22**	23
Food service	**1,730**	**1,725**	1,775
Other recoveries	**9,798**	**10,488**	10,203
Other	**4,879**	**5,498**	3,126
	354,212	**355,186**	340,358
Expenditures			
Administration	**23,972**	**26,597**	24,856
Support services	**57,942**	**58,502**	59,144
Nursing inpatient services	**87,710**	**86,923**	81,541
Medical services	**22,933**	**22,707**	23,010
Ambulatory care services	**27,272**	**27,866**	26,831
Diagnostic and therapeutic services	**32,990**	**32,430**	32,325
Community and social services	**84,130**	**83,164**	78,972
Educational services	**5,876**	**5,715**	5,890
Undistributed	**5,508**	**5,149**	2,015
	348,333	**349,053**	334,584
Surplus	**$ 5,879**	**$ 6,133**	$ 5,774

Western Regional Health Authority

Consolidated statement of operations (cont'd)

Year ended March 31 (in thousands of dollars)	**Budget 2015 (Note 13)**	**Actual 2015**	Actual 2014
Adjustments for undernoted items – net expenses			
Amortization expense	**$ 7,595**	**$ 7,595**	$ 7,956
Accrued vacation expense- increase (decrease)	**417**	**417**	(578)
Accrued severance expense- increase (decrease)	**617**	**617**	(656)
Accrued sick expense – decrease	**(107)**	**(107)**	(839)
Cottages - deficit	**72**	**215**	77
Total adjustments for above noted items	**8,594**	**8,737**	5,960
Deficit	**(2,715)**	**(2,604)**	(186)
Accumulated (deficit) surplus, beginning of year	**(165)**	**(165)**	21
Accumulated (deficit), end of year	**$ (2,880)**	**$ (2,769)**	$ (165)

Western Regional Health Authority
Consolidated statement of changes in net debt

Year ended March 31 (in thousands of dollars)	Budget 2015 (Note 13)	Actual 2015	Actual 2014
Net debt, beginning of year	$ (85,048)	$ (85,048)	$ (89,477)
Surplus (deficit) for the year	(2,715)	(2,604)	(186)
Changes in tangible capital assets			
Acquisition of tangible capital assets	(5,882)	(5,882)	(5,449)
Amortization of tangible capital assets	7,595	7,595	7,956
Amortization of tangible capital assets-Cottages	517	517	503
Decrease in net book value of tangible capital assets	2,230	2,230	3,010
Changes in other non-financial assets			
Acquisition of prepaid expense (net of usage)	-	613	510
Acquisition of inventories of supplies (net of usage)	-	168	1,095
Decrease in other non-financial assets	-	781	1,605
(Increase) decrease in net debt	(485)	407	4,429
Net debt, end of year	$ (85,533)	$ (84,641)	$ (85,048)

Western Regional Health Authority

Consolidated statement of cash flows

Year ended March 31 (in thousands of dollars)	2015	2014
Operating		
Annual deficit	$ **(2,604)**	$ (186)
Add (deduct) non-cash items:		
Amortization of capital assets	**7,595**	7,956
Amortization of capital assets - cottages	**517**	503
Accrued vacation expense – increase (decrease)	**417**	(578)
Accrued severance expense – increase (decrease)	**617**	(656)
Accrued sick expense – decrease	**(107)**	(839)
Changes in:		
Receivables	**6,032**	(1,357)
Inventory	**168**	1,095
Prepaid expenses	**613**	510
Deferred contributions - operating	**6,428**	342
Payables and accruals	**131**	3,949
Net cash provided by operating transactions	**19,807**	10,739
Capital		
Acquisitions of tangible capital assets	**(5,882)**	(5,449)
Net cash applied to capital transactions	**(5,882)**	(5,449)
Financing		
Short term debt repaid	**(1,455)**	(7,055)
Repayment of long term debt	**(712)**	(694)
Increase capital contributions	**357**	1,905
Net cash provided by financing transactions	**(1,810)**	(5,844)
Investing		
Restricted cash and investments	**(7)**	(9)
Replacement reserve fund	**8**	17
Net cash provided by investing transactions	**1**	8
Net cash provided (applied)	**12,116**	(546)
Cash and cash equivalents - beginning of year	**-**	546
Cash and cash equivalents - end of year	$ **12,116**	$ -

1. Nature of operations

The Western Regional Health Authority ("Western Health") is constituted under the Regional Health Authority's Act (formerly known as the Hospital's Act) Constitution Order and is responsible for the management and control of the operations of acute and long term care facilities as well as community health services in the western region of the Province of Newfoundland and Labrador.

Western Health is an incorporated not-for-profit with no share capital, and as such, is exempt from income tax.

Western Health controls Gateway Apartments, Emile Benoit House & Units, Interfaith Home and Cottages, Bay St. George Cottages and LHC Cottages. These entities were established to provide housing to senior citizens. These entities have been included in the consolidated financial statements.

2. Summary of significant accounting policies

The consolidated financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards (PSAS) and reflect the following significant accounting policies:

Basis of consolidation

The consolidated financial statements include the assets, liabilities, revenues and expenses of the reporting entity. The reporting entity is comprised of all organizations which are controlled by Western Health including Gateway Apartments, Emile Benoit House & Units, Interfaith Home and Cottages, Bay St. George Cottages and LHC Cottages.

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, impairment of assets and allowance for doubtful accounts.

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 and short term deposits, with original maturities of three months or less. Bank borrowings are considered to be financing activities.

Accrued severance and sick leave

Upon termination, retirement or death, the organization provides their employees, with at least nine years of services, with severance benefits equal to one week of pay per year of service 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.

The organization 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.

Accrued vacation pay

An accrued liability for vacation pay is recorded in the accounts at year end for all employees who have a right to receive these benefits.

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 (surplus), provides the change in net financial debt for the year.

Inventory

Inventory is valued at average cost. Cost includes purchase price plus the non-refundable portion of applicable taxes.

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

Tangible capital assets
Western Health has control over certain assets for which title resides with the Government of Newfoundland and Labrador. These assets have not been recorded in the financial statements of Western Health. Capital assets acquired after January 1, 1996 are recorded at cost. Assets are not amortized until placed in use. Assets in use are amortized over their useful life on a declining balance basis at the following rates:

Land improvements	2 ½%
Buildings	6 ¼%
Parking lot	6 ¼%
Equipment	15%
Motor vehicles	20%
Leasehold improvements	20%

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.

Revenue recognition
Provincial plan revenues for operating and capital purposes are recognized in the period in which all eligibility criteria or stipulations have been met. Any funding received prior to satisfying these conditions is deferred until conditions have been met. When revenue is received without eligibility criteria or stipulations, it is recognized when the transfer from the Province of Newfoundland and Labrador is authorized.

Donations of materials and services that would otherwise have been purchased are recorded at fair value when a fair value can be reasonably determined.

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

Revenue recognition (cont'd)
Revenue from the sale of goods and services is recognized at the time the goods are delivered or the services are provided.

Western Health reviews outstanding receivables at least annually and provides an allowance for receivables where collection has become questionable.

Pension costs
Employees of Western 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 Western Health. The annual contributions for pensions are recognized in the accounts on an accrual basis.

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.

Financial instruments

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

- cash and cash equivalents
- receivables
- trust funds on deposit
- restricted cash and investments
- bank indebtedness
- payables and accruals
- long term debt
- trust funds payable

A financial asset or liability is recognized when Western Health becomes party to contractual provisions of the instrument. Amounts due to and from related parties are measured at the exchange amount, being the amount agreed upon by the related parties.

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

Measurement
The company initially measures its financial assets and financial liabilities at fair value, except for certain non-arm's length transactions.

Financial assets or liabilities obtained in related party transactions are measured in accordance with the accounting policy for related party transactions except for those transactions that are with a person or entity whose sole relationship with Western Health is in the capacity of management in which case they are accounted for in accordance with financial instruments.

Western Health subsequently measures all of its financial assets and financial liabilities at cost or amortized cost less any reduction for impairment, except for investments in equity instruments that are quoted in an active market, which are measured at fair value; derivative contracts, which are measured at fair value; and certain financial assets and financial liabilities which the Authority has elected to measure at fair value. Changes in fair value are recognized in annual surplus.

Financial assets measured at cost include cash and cash equivalents, receivables, trust funds on deposit, and restricted cash and investments.

Financial liabilities measured at cost include bank indebtedness, payables and accruals, long term debt, and trust funds payable.

Impairment

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

A financial asset (or group of similar financial assets) measured at cost or amortized cost are tested for impairment when there are indicators of impairment. Impairment losses are recognized in the statement of operations. 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 annual surplus.

(in thousands of dollars)

3. **Receivables**	**2015**	2014
Province of Newfoundland and Labrador		
Capital contributions	$ **400**	$ -
Provincial plan	**9,860**	12,995
MCP	**2,832**	3,840
Patient services	**818**	1,166
Foundations	**50**	732
Employees' pay and travel advances	**314**	327
Harmonized sales tax rebate	**338**	516
Department of veteran affairs	**477**	564
Child Youth and Family Services	**2,191**	2,775
Other	**3,118**	3,501
NLHC	**-**	14
	$ **20,398**	$ 26,430

4. Trust funds

Funds belonging to patients of Western Health are being held in trust for the benefit of the patients.

5. NLHBA program liabilities

Beginning April 1, 2013 the Newfoundland and Labrador Health Boards Association ceased operations. Western Health was tasked with custody of the association's assets in order to decrease the liabilities remaining. Funds from this restricted cash balance can only be distributed based upon direction from Government.

In the current year any NLHBA disbursed funds have been recorded as part of operations which resulted in a move of restricted cash to cash and cash equivalents and NLHBA program liabilities to deferred contributions – operating on the statement of financial position.

6. Bank indebtedness

Western Health has access to a line of credit with the Bank of Montreal in the amount of $17,500 (2014 - $17,500) in the form of revolving demand loans and/or bank overdrafts. The authorization to borrow has been approved by the Minister of Health and Community Services. The balance outstanding on this line of credit at March 31, 2015 is $NIL (2014 - $NIL). Interest is being charged at prime less 1.15% on any overdraft (March 31, 2014 - 1.15%).

(in thousands of dollars)

7. Employee future benefits

Future employee benefits related to accrued severance and accrued sick obligations have been calculated based on an actuarial valuation completed effective March 31, 2012 and extrapolated to March 31, 2015. The assumptions are based on future events. The economic assumptions used in the valuation are Western Health's best estimates of expected rates as follows:

	2015	2014
Wages and salary escalation	**3.75%**	2.75%
Discount rate	**2.90%**	3.90%

Based on actuarial valuation of the liability, at March 31, 2015 the results for sick leave are:

	2015	2014
Accrued sick pay obligation, beginning	**$ 16,967**	$ 17,806
Current period benefit cost	**1,749**	1,794
Benefit payments	**(2,312)**	(2,222)
Interest on the accrued benefit obligations	**651**	633
Actuarial losses (gains)	**1,447**	(1,044)
Accrued sick pay obligations, at end	**$ 18,502**	$ 16,967

Based on actuarial valuation of the liability, at March 31, 2015 the results for severance are:

	2015	2014
Accrued benefit obligation, beginning	**$ 29,818**	$ 30,460
Current period benefit cost	**2,015**	2,119
Benefit payments	**(1,642)**	(1,767)
Interest on the accrued benefit obligation	**1,170**	1,102
Actuarial losses (gains)	**2,659**	(2,096)
Accrued severance obligation, at end	**$ 34,020**	$ 29,818

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

	2015	2014
Sick benefits:		
Accrued benefit liability	**$ 16,860**	$ 16,967
Unamortized actuarial losses	**1,642**	-
Accrued benefit obligation	**$ 18,502**	$ 16,967
Severance benefits:		
Accrued benefit liability	**$ 30,435**	$ 29,818
Unamortized actuarial losses	**3,585**	-
Accrued benefit obligation	**$ 34,020**	$ 29,818

(in thousands of dollars)

8. **Long term debt**		**2015**		2014
1.8% mortgage on the Bay St. George Seniors Home, maturing in 2021, repayable in blended monthly payments of $12,113	**$**	**848**	$	977
8% mortgage on the Bay St. George Seniors Home, maturing in 2026, repayable in blended monthly payments of $9,523		**868**		912
4.56% mortgage on the Woody Point Clinic, maturing in 2020, repayable in blended monthly payments of $2,304		**125**		146
1.71 % CMHC loan maturing in 2017, repayable in monthly blended instalments of $9,952, amortized to 2017		**272**		378
2.11% CMHC loan due in 2018, repayable in monthly blended instalments of $5,962 until December 1, 2018		**258**		323
10% CMHC loan due in 2028, repayable in monthly blended instalments of $8,028		**707**		732
1.12% CMHC mortgage due 2019, amortized over 25 years, repayable in monthly blended instalments of $7,103		**394**		471
2.40% CMHC mortgage due 2020, amortized over 25 years, repayable in monthly blended instalments of $7,473		**422**		501
1.67% NLHC loan due in 2017, repayable in monthly blended instalments of $6,351 until March 2017		**637**		702

(in thousands of dollars)

8. Long term debt (cont'd)

	2015	2014
2.04% NLHC loan amortized to 2021, repayable in monthly blended instalments of $3,925 until March 2021	**590**	626
1.67% NLHC mortgage due in 2017, repayable in monthly blended instalments of $2,276 until March 2017	**306**	328
1.67% NLHC mortgage due in 2017 repayable in monthly blended instalments of $4,529 until March 2017	**642**	685
	$ 6,069	$ 6,781

As security for the mortgages, Western Health has provided a first mortgage over land and buildings at Corner Brook Interfaith Home and Cottages, Bay St. George Senior Citizens Home, Gateway Cottages, Cottages #1 & 2, NLHC and Woody Point Clinic having a net book value of $ 6,069 (2014 - $6,781).

See Note 9 for five year principal repayment schedule.

9. Obligations under long term debt

Western Health has acquired building additions and equipment under the terms of long term debt. Payments under these obligations for the next five years are as follows:

Fiscal year ended

2016	**$ 714**
2017	**748**
2018	**709**
2019	**664**
2020	**628**
	$ 3,463

(in thousands of dollars)

10. Tangible capital assets

	Land	Land Improvements	Buildings	Parking Lot	Equipment	Motor Vehicles	Leasehold Improvements	Total
March 31, 2015								
Cost								
Opening balance	$ 1,102	$ 435	$ 66,777	$ 1,142	$ 130,749	$ 1,570	$ 232	$ 202,007
Additions	-	-	715	-	5,040	127	-	5,882
Disposals	-	-	-	-	-	-	-	-
Closing balance	1,102	435	67,492	1,142	135,789	1,697	232	207,889
Accumulated amortization								
Opening balance	-	257	35,820	725	91,045	1,087	220	129,154
Additions	-	4	2,043	26	5,928	109	2	8,112
Disposals	-	-	-	-	-	-	-	-
Closing balance	-	261	37,863	751	96,973	1,196	222	137,266
Net book value	**$ 1,102**	**$ 174**	**$ 29,629**	**$ 391**	**$ 38,816**	**$ 501**	**$ 10**	**$ 70,623**

(in thousands of dollars)

10. Tangible capital assets (cont'd)

	Land	Land Improvements	Buildings	Parking Lot	Equipment	Motor Vehicles	Leasehold Improvements	Total
March 31, 2014								
Cost								
Opening balance	$ 1,102	$ 435	$ 66,347	$ 1,142	$ 125,751	$ 1,549	$ 232	$ 196,558
Additions	-	-	430	-	4,998	21	-	5,449
Disposals	-	-	-	-	-	-	-	-
Closing balance	1,102	435	66,777	1,142	130,749	1,570	232	202,007
Accumulated amortization								
Opening balance	-	253	33,720	697	84,838	969	218	120,695
Additions	-	4	2,100	28	6,207	118	2	8,459
Disposals	-	-	-	-	-	-	-	-
Closing balance	-	257	35,820	725	91,045	1,087	220	129,154
Net book value	**$ 1,102**	**$ 178**	**$ 30,957**	**$ 417**	**$ 39,704**	**$ 483**	**$ 12**	**$ 72,853**

Book value of capitalized items that have not been amortized is $ 6,152 (2014 - $5,590)

(in thousands of dollars)

11. Inventory		2015		2014
Dietary	**$**	**103**	$	103
Pharmacy		**1,773**		1,711
Supplies		**3,017**		3,247
	$	**4,893**	$	5,061

12. Contingencies and commitments

Claims
As of March 31, 2015, there were a number of claims against Western Health 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 Western Health with respect to these claims, but management believes any claim, if successful, will be covered by liability insurance.

Operating leases
Western Health has a number of agreements whereby it leases vehicles, office equipment and buildings. These leases are accounted for as operating leases. Future minimum lease payments for the next five years are as follows:

Fiscal year ended

2016	$	3,904
2017		2,940
2018		1,814
2019		591
2020		421
	$	9,670

During the fiscal year ended March 31, 2015, Western Health entered into a 12 year energy performance contract with Honeywell. The installation of the measures is set to begin during the fiscal year ending March 31, 2016.

(in thousands of dollars)

13. Budget

Western Health prepares an initial budget for a fiscal period that is approved by the Board of Trustees and 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 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 Western Health. The updated budget amounts are reflected in the budget amounts as presented in the consolidated statement of operations [the "Budget"].

The Original Budget and Budget do not include amounts relating to certain non-cash and other items including 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 following presents a reconciliation of budgeted revenue for the year ended March 31, 2015:

Original budgeted provincial plan revenue	$ 281,907
Add: Net provincial plan budget adjustments	18,396
Ending budgeted provincial plan revenue	300,303
Original budgeted other revenue	43,742
Add: Net budget increases - other	4,288
Ending budgeted revenue	$ 348,333
Original budgeted salary expenditure	$ 201,502
Add: Net salary budget adjustments	16,670
Ending budgeted salary expenditure	218,172
Original budgeted supply expenditure	124,147
Add: Net supply budget adjustments	6,014
Ending budgeted expenditures	$ 348,333

14. Financial instruments

The main risks Western Health 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 Authority's main credit risks related to its accounts receivable and notes receivable. The entity provides credit to its clients in the normal course of its operations. There was no significant change in exposure from the prior year.

Western Health has a collection policy and monitoring process 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 encounter difficulty in meeting the obligations associated with its financial liabilities. The Authority is exposed to this risk mainly in respect of its long term debt, contributions to the pension plan and accounts payable. There was no significant change in exposure from the prior year.

The Authority mitigates this risk by having access to a line of credit in the amount of $17,500. In addition, consideration will be given to obtaining additional funds through third party funding in the Province, assuming these can be obtained.

Market risk
Market risk is the risk that the fair value or expected future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Authority is not significantly impacted by foreign exchange risk or interest rate risk.

15. Comparative figures

Comparative figures have been adjusted to conform to changes in the current year presentation.

Western Regional Health Authority
Consolidated expenditures – operating/shareable
Schedule I

Year ended March 31 (in thousands of dollars)	**2015**	2014
Administration		
General administration	**$ 9,128**	$ 7,470
Finance	**2,886**	2,853
Personnel services	**3,965**	4,142
System support	**4,913**	4,467
Other administrative	**5,705**	5,924
	26,597	24,856
Support services		
Housekeeping	**11,219**	10,688
Laundry and linen	**2,445**	2,489
Plant services	**18,117**	19,815
Patient food services	**12,177**	12,067
Other support services	**14,544**	14,085
	58,502	59,144
Nursing inpatient services		
Nursing inpatient services – acute	**57,215**	55,079
Medical services	**22,707**	23,010
Nursing inpatient services – long term care	**29,708**	26,462
	109,630	104,551
Ambulatory care services	**27,866**	26,831
Diagnostic and therapeutic services		
Clinical laboratory	**11,082**	10,728
Diagnostic imaging	**8,568**	8,834
Other diagnostic and therapeutic	**12,780**	12,763
	32,430	32,325

Western Regional Health Authority
Consolidated expenditures – operating/shareable
Schedule I (cont'd)

Year ended March 31 (in thousands of dollars)	**2015**	2014
Community and social services		
Mental health and addictions	**7,974**	7,542
Community support programs	**66,013**	61,899
Family support programs	**2,989**	3,055
Health promotion and protection program	**6,188**	6,476
	83,164	78,972
Education	**5,715**	5,890
Undistributed	**5,149**	2,015
Shareable amortization	**194**	191
Total expenditures	**$ 349,247**	$ 334,775

Western Regional Health Authority

Consolidated revenue and expenditures for government reporting

Schedule II

Year ended March 31
(in thousands of dollars)

	2015	2014
Revenue		
Provincial plan – operating grant	**$ 300,303**	$ 287,879
Capital grant – provincial	**5,123**	5,021
Capital grant – other	**816**	562
MCP physician revenue	**19,179**	19,084
National Child Benefit	**780**	831
Early Childhood Development	**359**	394
Inpatient	**1,334**	1,583
Outpatient	**1,581**	1,678
Resident revenue – long term care	**7,978**	8,199
Mortgage interest subsidy	**22**	23
Food service	**1,725**	1,775
Other recoveries	**10,488**	10,203
Other	**5,498**	3,126
Total revenue	**355,186**	340,358
Expenditures		
Worked and benefit salaries and contributions	**184,479**	178,062
Benefit contributions	**33,693**	31,336
	218,172	209,398
Supplies – plant operations and maintenance	**6,681**	7,245
Supplies – drugs	**8,972**	8,830
Supplies – medical and surgical	**11,726**	12,152
Supplies – other	**12,836**	13,381
	40,215	41,608
Direct client costs – mental health and addictions	**394**	358
Direct client costs – community support	**48,883**	46,198
Direct client costs – family support	**1,292**	1,313
	50,569	47,869
Other shareable expenses	**40,005**	35,612

Western Regional Health Authority
Consolidated revenue and expenditures for government reporting
Schedule II (cont'd)

Year ended March 31 (in thousands of dollars)	**2015**	2014
Expenditures (cont'd)		
Long term debt – interest	**92**	97
Long term debt – principal	**194**	191
	286	288
Total expenditures	**349,247**	334,775
Less: Capital grant – provincial	**5,123**	5,021
Less: Capital grant – other	**816**	562
Surplus for government reporting	**-**	-
Long term debt - principal	**194**	191
Surplus inclusive of other operations	**194**	191
Shareable amortization	**194**	191
Surplus before non-shareable items	**-**	-
Non-shareable items		
Amortization expense	**7,401**	7,765
Accrued vacation expense – increase (decrease)	**417**	(578)
Accrued severance expense – increase (decrease)	**617**	(656)
Accrued sick expense – decrease	**(107)**	(839)
Cottages	**215**	77
Capital grant – Provincial	**(5,123)**	(5,021)
Capital grant - Other	**(816)**	(562)
	2,604	186
Deficit as per Statement of Operations	**$ (2,604)**	$ (186)

Western Regional Health Authority
Consolidated funding and expenditures for government reporting
Capital transactions
Schedule III

Year ended March 31 (in thousands of dollars)	2015	2014
Sources of funds		
Provincial capital equipment grant for current year	$ 5,021	$ 3,957
Provincial facility capital grant in current year	1,920	2,757
Add: Deferred capital grant from prior year	13,694	11,789
Add: Proceeds from sale of Interfaith Home		1,278
Add: Transfer from operating fund	118	-
Less: Capital facility grant reallocated for operating fund purchases	(1,579)	(1,066)
Less: Deferred capital grant from current year	(14,051)	(13,694)
	5,123	5,021
Other contributions		
Foundations, auxiliaries and other	816	562
Total funding	5,939	5,583
Capital expenditures		
Asset, building and land	715	430
Asset, equipment	5,160	5,019
Total expenditures	5,875	5,449
Surplus on capital purchases	$ 64	$ 134

Western Regional Health Authority
Accumulated operating deficit for government reporting - excluding cottages
Schedule IVA

Year ended March 31 (in thousands of dollars)		2015		2014
Accumulated operating deficit				
Current assets				
Cash and cash equivalents	$	**11,207**	$	-
Accounts receivable		**20,296**		25,637
Due from associated funds		**2,121**		1,922
Inventory		**4,893**		5,061
Prepaid expenses		**6,233**		6,852
Other		**(21)**		(16)
Total assets		**44,729**		39,456
Current liabilities				
Bank indebtedness		**-**		1,743
Accounts payable and accrued liabilities		**31,348**		31,169
Deferred contributions – operating		**9,518**		3,090
Deferred contributions - capital		**14,051**		13,694
Total current liabilities		**54,917**		49,696
Accumulated operating deficit	**$**	**(10,188)**	$	(10,240)
Reconciliation of operating deficit – operating fund only				
Accumulated operating deficit – beginning of year	**$**	**(10,240)**	$	(10,363)
Add: Net operating income per schedule II		**-**		-
Add: Net deficit on capital purchases per schedule III		**64**		134
Less: Restricted interest income		**(12)**		(11)
Accumulated operating deficit – end of year		**(10,188)**		(10,240)
Less: Net surplus on capital purchases-prior years		**1,132**		998
Less: Net surplus (deficit) on capital purchases - 2014		**-**		134
Less: Net surplus (deficit) on capital purchases - 2015		**64**		-
Accumulated operating deficit – per Department of Health and Community Services	**$**	**(11,384)**	$	(11,372)

Western Regional Health Authority
Reconciliation of consolidated accumulated operating deficit for government reporting
Schedule IVB

Year ended March 31
(in thousands of dollars)

	2015	2014
Accumulated operating deficit – end of year per Schedule IVA	**$ (10,188)**	$ (10,240)
Adjustments:		
Intercompany – cottages elimination	**(2,071)**	(1,190)
Cottages – current assets	**1,084**	752
Cottages – current liabilities	**(80)**	(414)
Other assets	**21**	16
Restricted cash and investments	**157**	150
Replacement reserve	**125**	133
Vacation pay accrual	**(9,076)**	(8,659)
Severance pay accrual	**(30,435)**	(29,818)
Sick pay accrual	**(16,860)**	(16,967)
Long term debt	**(6,069)**	(6,781)
Tangible capital assets	**70,623**	72,853
	7,419	10,075
Accumulated deficit per Statement of Financial Position	**$ (2,769)**	$ (165)

WESTERN SCHOOL DISTRICT

FINANCIAL STATEMENTS
August 31, 2013

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of the Newfoundland and Labrador English School District

Report on the Financial Statements

We have audited the accompanying financial statements of the former Western School District which comprise the statement of financial position as at August 31, 2013, and the statements of operations, statement of changes in net financial assets (debt) and cash flows for the period 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 Board Standards, and for such internal control as management determines is necessary to enable the preparation of financial statement 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 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 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 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 qualified opinion.

Basis for Qualified Opinion

In accordance with the Schools Act, all salaries and other compensation for teachers are the responsibility of the Department of Education. In accordance with Canadian Public Sector Accounting Board Standards liabilities for future employee benefits for teacher's severance and sick benefits have been recorded in these financial statements, however, an offsetting receivable from the Department of Education related to these liabilities has not been recorded. If the accounts receivable were recorded in accordance with Canadian Public Sector Accounting Board Standards, changes to the amounts reported for accounts receivable, revenue and reported surplus (deficit) would be necessary.

Qualified Opinion

In our opinion, except for the effects of the adjustment for failure to record the accounts receivable from the Department of Education as described in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the former Western School District as at August 31, 2013 and its financial performance and its cash flows for the period then ended in accordance with Canadian Public Sector Accounting Board Standards.

Stephenville, NL

May 13, 2014

King + Roberts

Chartered Accountants

Western School District
Statement of Financial Position
For The Two Months Ended August 31 , 2013

	August 31, 2013	June 30, 2013
Financial Assets		
Cash -Unrestricted (Note 2)	$ 4,925,848	$ 5,344,970
Restricted cash-scholarships	45,132	45,132
Short Term Investments	1,980,458	1,976,049
Accounts receivable (Note 3)	1,542,555	1,506,047
Teachers Vacation Pay Receivable	-	12,809,831
Total Financial Assets	8,493,993	21,682,029
Liabilities		
Accounts payable and Accrued Liabilities (Note 5)	4,253,722	4,310,543
Long Term Debt (Sched 8, 8A,8B)	2,206,044	2,261,496
Deferred Revenue	3,012,087	2,611,822
Teacher Vacation Pay Accured	-	12,809,831
Employee Future Benefits (Note 6)		
Accured Severance-teachers and student assistants	21,713,363	21,279,722
-board employees	2,163,272	2,156,779
Accured Sick Benefits-teachers and student assistants	15,878,158	15,908,050
- board employees	1,166,446	1,167,310
Total Liabilities	50,393,092	62,505,553
Net Financial Assets (Net Debt)	(41,899,099)	(40,823,524)
Non-Financial Assets		
Prepaid Expense (Note 4)	138,345	207,517
Capital Assets (Schedule 7,7a,7b)	109,921,549	107,166,354
Total Non-Financial Assets	110,059,894	107,373,871
Accumulated Surplus	$ 68,160,795	$ 66,550,347

Continent Liabilities (Note 7)
Subsequent Events (Note 8)
On Behalf of the District

Chairperson:____________
Treasurer:____________

The accompanying notes are an integral part of these financial statements

Western School District
Statement of Operations
For the Two Months Ended August 31 , 2013

	Budget	August 31, 2013	June 30, 2013
Revenue			
Provincial Government Grants (Schedule 1)	$ 5,204,300	$ 8,930,845	$ 177,695,582
Ancillary Services (Schedule 1)	-	-	40,936
Miscellaneous (Schedule 1)	8,500	27,142	136,590
Total revenue	5,212,800	8,957,987	177,873,108
Expenditures			
Administration (Schedule 2)	787,900	1,442,895	9,602,964
Instructional (Schedule 3)	1,706,400	3,680,370	130,032,453
Operations and Maintenance (Schedule 4)	2,365,000	2,025,969	16,284,054
Pupil Transportation (Schedule 5)	341,000	166,374	8,346,556
Ancillary Services(Schedule 6)	-	15,085	38,439
Miscellaneous(Schedule 6)	12,500	16,846	44,984
Total Expenditures	5,212,800	7,347,539	164,349,450
Excess of Revenue over Expenditures before loss on asset disposals	-	1,610,448	13,523,658
Loss on asset disposals	-	-	(65,986)
Excess of Revenue over Expenditures	-	1,610,448	13,457,672
Accumulated Surplus , Beginning of Period	-	66,550,347	53,092,675
Accumulated Surplus , End of Period	$ -	$ 68,160,795	$ 66,550,347

The accompanying notes are an integral part of these financial statements

Western School District
Statement of Cash Flows
For The Two Months Ended August 31 , 2013

	August 31 , 2013	June 30, 2013
Operating Transactions:		
Excess of Revenue over Expenditures	$ 1,610,448	$ 13,457,672
Adjustments for:		
Loss on asset disposal	-	65,896
Amortization of Capital assets	653,471	5,302,287
Decrease in Accounts Receivable	(36,508)	2,027,467
Decrease in Teacher's Vacation Pay Receivable	12,809,831	307,392
Decrease in Prepaid Expenses	69,172	48,599
Decrease Short Term Investments	(4,409)	(24,571)
Decrease in Accounts Payable and Accured	(56,821)	631,736
Decrease in Teacher's Vacation Payable	(12,809,831)	(307,392)
Increase in Accured Severance benefits	440,134	1,005,719
Decrease in Accured Sick Benefits	(30,756)	(147,227)
Increase (Decrease) in Deferred Revenue	400,265	(633,718)
Cash Provided by Operating Transactions	$ 3,044,996	$ 21,733,950
Capital Transactions:		
Construction and Purchase of Tangible Capital Assets	(3,408,666)	(19,965,835)
Proceeds on sale of capital assets	-	223,877
Cash used in Capital Transactions	(3,408,666)	(19,741,598)
Financing Transactions:		
Proceeds on Long-term borrowings	-	794,966
Repayment of Long- term Debt	(55,452)	(343,755)
Cash used in Financing Transactions	(55,452)	451,211
Increase (Decrease) in Cash	(419,122)	2,443,203
Cash Beginning of Period	5,390,102	2,946,899
Cash End of Period	$ 4,970,980	$ 5,390,102
Consist of:		
Cash and Bank-unrestricted	$ 4,925,848	5,344,970
Restricted cash-scholarships	45,132	45,132
	$ 4,970,980	$ 5,390,102

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

Western Schoold District
Statement of Changes in Net Financial assets (Debt)
For the Two Months Ended August 31 , 2013

	August 31, 2013	June 30, 2013
Net Debt-beginning of period	$ (40,823,524)	$ (39,956,110)
Excess of Revenue over Expenditures	1,610,448	13,457,672
Changes in Tangible Capital Assets:		
Construction and purchase of tangible capital assets	(3,408,666)	(19,965,835)
Amortization of tangible capital assets	653,471	5,302,287
Net book value of assets disposal	-	289,863
Increase in net book value of tangible capital assets	(2,755,195)	(14,373,685)
Changes in other non-financial assets:		
Decrease in prepaid expenses	69,172	48,599
Decrease in other non-financial assets	69,172	48,599
Increase in debt	(1,075,575)	(867,414)
Net Debt-end of period	$ (41,899,099)	$ (40,823,524)

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

1. Summary of significant accounting policies (continued):

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.

Expenditures

Expenditures are reported on an accrual basis. Expenditures 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 of 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 period the related expenditures 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 period and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the period, together with the excess of revenues over expenditures, provides the change in net financial assets for the period.

1. Summary of significant accounting policies (continued):

Severance and sick pay liability

An accrued liability for severance is recorded in the accounts for all employees who have 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.

Tangible capital assets

Capital assets are recorded at cost, although the title to certain of these assets is held by the Government of Newfoundland and Labrador (the "Government") as well as some former school authorities. Contributed capital assets are recorded at their estimated fair value at the date of contribution. Minor equipment purchases less than $15,000 are charged to operations in the year of acquisition.

Amortization is calculated on a straight-line basis at the rates set out below.

It is expected that these rates will charge operations with the total cost of the assets over the useful lives of the assets.

1. Summary of significant accounting policies (continued):

Tangible capital assets (continued)

Buildings and improvements	40 years
Equipment	5 years
Service vehicles	5 years
School buses	12 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.

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 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.

Pension costs

Employees of the former Western School District 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 the Western School District. The annual contributions for pensions are recognized in the accounts on a current basis.

(Continued)

Western School District

Notes to the Financial Statements

For The Two Months Ended August 31, 2013

1. Summary of significant accounting policies (continued):

Financial Instruments

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

Financial assets measured at amortized cost include cash and cash equivalents, receivables, scholarship funds. Financial assets measured at fair value are investments restricted for scholarship purposes.

Financial liabilities measured at amortized cost include payables and accruals, employee future benefits, deferred grants, long-term debt, and scholarship funds payable.

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

2. Cash

	August 31, 2013	June 30, 2013
Cash on Hand	$ 500	$ 500
Bank-current	4,725,408	5,143,333
Bank-Teachers' Payroll	199,940	201,137
	$ 4,925,848	$ 5,344,970

3. Accounts Receivable

	August 31, 2013	June 30, 2013
Provincial Government	$ 831,691	$ 812,226
Transportation	54,307	54,307
HST Rebate	285,268	198,515
Schools	36,081	50,469
Travel advances and Miscellaneous	14,100	91,884
Provincial Government-Construction	321,108	298,646
	$ 1,542,555	$ 1,506,047

Western School District

Notes to the Financial Statements

For the Two Months Ended August 31 , 2013

4. Prepaid Expenses

	August 31, 2013	June 30, 2013
WHSCC	$ 138,345	$ 207,517

5. Accounts Payable and Accrued Liabilities

	August 31, 2013	June 30, 2013
Accounts Payable-Trade	$2,115,597	$ 2,142,520
Accrued Liabilities	250,945	303,653
Accrued Interest Payable	4,053	3,875
Accrued Wages Payable-Support Staff	301,176	283,673
Payroll Deductions Payable	319,199	47,838
Scholarships Payable	45,132	45,132
Vacation Pay-Support Staff	454,733	713,420
Vacation Pay-Executive Staff	762,887	770,432
	$4,253,722	$ 4,310,543

6. Employee future benefits:

Future employee benefits related to accrued severance and accrued sick obligations have been calculated based on an actuarial valuation completed on March 11, 2014. The assumptions are based on future events. The economic assumptions used in the valuation are the former Western School District's best estimates of expected rates as follows:

	August 31, 2013	June 30, 2013	June 30, 2012
Wages and salary escalation-teaching staff in first 10 years of service	7.25%	7.25%	7.25%
Wages and salary escalation-all other staff	4.00%	4.00%	4.00%
Interest	4.15%	3.91%	3.40%

6. Employee future benefits (continued):

Based on actuarial valuation of the liability, at August 31, 2013 the results for sick leave are:

	August 31, 2013	June 30, 2013
Accrued sick pay obligation beginning of period	$ 17,394,561	$ 18,089,202
Current period benefit cost	223,144	1,344,305
Benefit payments	(371,850)	(2,160,872)
Interest on the accrued benefit obligations	112,870	601,151
Actuarial gains	(214,920)	(479,225)
Accrued sick pay obligations	$ 17,143,805	$ 17,394,561

Based on actuarial valuation of the liability, at August 31, 2013 the results for severance are:

	August 31, 2013	June 30, 2013
Accrued benefit obligation, beginning of period	$ 23,972,119	$ 24,109,744
Current period benefit cost	306,858	1,899,378
Benefit payments	(32,637)	(1,846,826)
Interest on the accrued benefit obligation	157,112	820,625
Actuarial gains	(453,454)	(1,010,802)
Accrued severance obligation	$ 23,949,998	$ 23,972,119

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

	August 31, 2013	June 30, 2013
Accrued benefit liability	$17,044,604	$ 17,075,360
Unamortized actuarial losses	99,201	319,201
Accrued benefit obligation	$17,143,805	$ 17,394,561

6. Employee future benefits (continued):

Severance benefits:

	August 31, 2013	June 30, 2013
Accrued benefit liability	$ 23,876,635	$ 23,436,501
Unamortized actuarial losses	73,363	535,618
Accrued benefit obligation	$ 23,949,998	$ 23,972,119

7. Contingencies

As of statement date, the following material contingencies are pending:

(a) A former vendor of a predecessor School Board has a claim of approximately $28,876 plus HST and interest. The amount has not been recorded in the accounts. The likelihood of loss to the District cannot be determined.

(b) The District has a potential liability for site restoration and remediation costs associated with a school property sold to a purchaser in 2004. The property has an oil leak from its underground storage tank prior to the sale of this property. As of audit report date, a claim has been filed in court but the likelihood of loss or an estimate of this loss cannot be determined.

(c) A former school teacher has filed a statement of claim in 2006 for wrongful dismissal. Discovery examination was conducted in September 2007, but no damages have been estimated. The likelihood of loss or an estimate of this loss cannot be determined.

(d) An application has been made to the Attorney General of Canada to include the District, with other defendants, in a claim that relates to treatment of aboriginal students attending the residential school in St. Anthony, NL. The amount of claim and likelihood of loss cannot be determined at audit date.

8. Subsequent Events

The Western School District ceased operations at the end of August 31, 2013. All assets, liabilities and surplus has been transferred to the new Newfoundland and Labrador School Districts effective September 1, 2013.

School District
Notes to the Financial Statements
For the Two Months Ended August 31, 2013

Schedule 1

	Budget	August 31, 2013	June 30, 2013
Revenues			
Provincial Government Grants			
Regular Operating Grants	$ 3,788,900	$ 3,443,165	$ 25,264,269
Special Grants (Details on bottom of Schedule 1)	726,400	189,091	2,123,166
Salaries and Benefits:			
-Superintendent and Assistant Superintendent	348,000	212,821	1,380,230
-Teachers' Gross Salaries	-	2,212,086	114,428,563
-Substitute Teachers' Gross Salaries	-	38,005	4,249,066
-Student Assistants	-	2,720	2,649,101
Pupil Transportation-District Owned	341,000	221,826	3,423,066
Pupil Transportation-Contracted	-	-	4,376,222
Pupil Transportation-Handicapped	-	-	856,838
Capital Grants	-	2,611,131	18,945,061
	$ 5,204,300	$ 8,930,845	$ 177,695,582
Ancillary Services			
Revenue from Rental of Residences	-	-	8,450
Cafeteries	-	-	32,486
	$ -	$ -	$ 40,936
Miscellaneous			
Interest on Investments	8,000	17,065	85,744
Recoveries of Expenditures	-	599	1,049
Sundry	500	9,478	2,233
Bus Charters	-	-	47,564
	$ 8,500	$ 27,142	$ 136,590
Total Revenues	$ 5,212,800	$ 8,957,987	$ 177,873,108
Special Grants			
French Monitor	$ 15,000	$ -	$ 92,702
Special grants	25,000	15,942	472,100
IGA Projects	46,400	4,302	20,038
Other Projects	500,000	137,197	890,939
HRDC Grants	140,000	31,650	427,741
French Immersion	-	-	16,425
Fuel Adjustment	-	-	49,895
Miscellaneous	-	-	153,266
	$ 726,400	$ 189,091	$ 2,123,166

Western School District
Notes to the Financial Statements
For the Two Months Ended August 31, 2013

Schedule 2

Administration	Budget	August 31, 2013	June 30, 2013
Salaries and Benefits (Gross) Superintendents and Assistant	$ 348,000	$ 259,291	$ 1,466,270
Salaries and Benefits-District Office Personnel	240,000	289,081	1,697,454
Office Supplies	7,500	5,771	49,857
Replacement Furniture and Equipment	2,000	-	16,811
Postage	9,000	16,204	62,861
Telephone	35,000	32,680	195,095
Office Equipment Rentals and Repairs	10,000	4,346	52,820
Bank Charges	500	570	2,636
Electricity	-	1,861	16,779
Fuel	-	14,944	39,350
Insurance	6,500	6,467	18,332
Repairs and Maintenance (Office Building)	5,000	219	17,861
Travel	25,000	63,979	196,529
District Meeting Expenses	5,000	4,262	39,317
Professional Fees	44,400	57,956	234,522
Advertising	35,000	14,763	85,778
Membership Dues	12,000	9,442	57,515
Municipal Service Fees	1,000	1,337	16,281
Miscellaneous	1,000	738	11,510
Janitor Salaries/Supplies	1,000	5,511	23,099
Amortization	-	653,473	5,302,287
Total Administration Expenditures	$ 787,900	$ 1,442,895	$ 9,602,964

School District
Notes to the Financial Statements
For the Two Months Ended August 31, 2013

Schedule 3

School District
Instruction Expenditures

	Budget	August 31, 2013	June 30. 2013
Instructional Salaries (Gross)			
Teachers' Salaries-Regular	$ -	$ 2,604,848	$ 115,157,557
Teachers' Salaries-Substitute	-	38,005	4,228,862
Teachers' Salaries-District Paid	15,000	53,781	117,049
Student Assistants	-	13,707	2,772,790
School Secretaries-Salaries & Benefits	69,000	79,710	2,919,318
	84,000	2,790,051	125,195,576
Instructional Materials			
General Supplies	447,000	558,598	1,412,429
Teaching Aids	245,000	41,055	255,294
	692,000	599,653	1,667,723
Instructional Furniture and Equipment			
Replacement	10,000	7,570	114,457
Rentals and Repairs	1,000	2,806	5,813
Copier Costs	40,000	19,615	127,038
Replacement-Computer Equipment	56,000	50,904	686,914
Computer Repair	15,000	3,875	53,873
	122,000	84,770	988,095
Instructional Staff Travel			
Program Co-ordinators	120,000	1,886	473,852
Teachers Travel	-	-	272,045
Student Travel	1,000	-	32,539
	121,000	1,886	778,436
Other Instructional Costs			
Miscellaneous	1,000	-	20,171
Other District Projects	500,000	148,520	939,070
IGA Projects	46,400	4,302	20,039
HRDC Projects	140,000	51,188	423,343
	687,400	204,010	1,402,623
Total Instruction Expenditures	$ 1,706,400	$ 3,680,370	$ 130,032,453

School District
Notes to the Financial Statements
For the Two Months Ended August 31, 2013

Schedule 4

Operations and Maintenance Expenditures

	Budget	August 31, 2013	June 30, 2013
Salaries and Benefits-Janitorial	$ 850,000	$ 844,891	$ 5,035,688
Salaries and Benefits-Maintenance	300,000	211,894	1,637,400
Salaries and Benefits-IT Support	135,000	152,387	910,909
Electricity	275,000	237,895	3,556,486
Fuel	75,000	66,806	1,179,174
Municipal Service Fee	40,000	25,531	696,484
Telephone	100,000	73,332	492,450
Vehicle Operating and Travel	50,000	44,221	299,062
Janitoral Supplies	75,000	61,833	314,189
Janitorial Equipment	5,000	1,393	42,308
Repairs and Maintenance-Buildings	450,000	260,746	1,336,998
Repairs and Maintenance-Equipment	5,000	2,638	19,688
Protective Clothing	5,000	3,166	16,260
Snow Clearing	-	39,236	746,958
Total Operations Maintenance Expenditure	$ 2,365,000	$ 2,025,969	$ 16,284,054

School District
Notes to the Financial Statements
For the Two Months Ended August 31, 2013

Schedule 5

Pupil Transportation Expenditure

	Budget	August 31, 2013	June 30, 2013
Operation and Maintenance of Owned Fleet			
Salaries and Benefits-Administration	$ 20,000	$ 22,369	$ 171,509
Salaries and Benefits-Drivers and Mechanics	50,000	25,469	1,934,844
Debt Repayment-Interest	10,000	11,462	60,580
Debt Repayment-Principal	55,000	-	-
Gas and Oil	20,000	7,320	399,847
Licenses	35,000	33,262	34,764
Insurance	40,000	-	41,919
Repairs and Maintenance-Fleet	75,000	42,791	215,844
Repairs and Maintenance-Building	5,000	-	15,492
Tires and Tubes	5,000	5,155	25,027
Heat and Light	3,000	2,358	36,966
Municipal Service	1,000	140	4,531
Office Supplies	1,000	347	3,349
Snow Clearing	-	-	10,425
Rent	-	-	136
Travel	-	636	1,961
Miscellaneous	15,000	8,606	58,841
Telephone	6,000	6,459	34,817
Total Pupil Transportation Expenditure	$ 341,000	$ 166,374	$ 3,050,672
Contracted Services			
Regular Transportation	-	-	$ 4,389,151
Handicapped	-	-	856,838
Fuel Adjustment Program	-	-	49,895
	$ -	$ -	$ 5,295,884
Total Transportation Expenditures	$ 341,000	$ 166,374	$ 8,346,556

School District
Notes to the Financial Statements
For the Two Months Ended August 31, 2013

Schedule 6

Ancillary Services

The District owns and operates the following ancillary services:

	Budget	August 31, 2013	June 30, 2013
Operation of Teachers Residences	$ -	$ 15,085	$ 6,176
Cafeterias	-	-	32,263
	$ -	$ 15,085	$ 38,439

	Budget	August 31, 2013	June 30, 2013
Miscellaneous Expenses			
Human Resoures Expenses	$ 10,000	$ 16,796	$ 44,984
Other	2,500	50	-
	$ 12,500	$ 16,846	$ 44,984

School District
Notes to the Financial Statements
For the Two Months Ended August 31, 2013

Schedule 7

	Cost August 31, 2013	Accumulated Amortization August 31, 2013	NBV August 31, 2013	NBV June 30, 2013
Land and Sites				
Land and Sites	$ 2,191,100	$ -	$ 2,191,100	$ 2,191,100
Buildings				
Schools	177,648,028	73,502,023	104,146,005	102,106,353
Administration	1,902,163	1,736,744	165,419	172,064
Residential	168,021	164,171	3,850	4,200
	179,718,212	75,402,938	104,315,274	102,282,617
Furniture and Equipment				
Schools	11,582,568	11,547,743	34,825	37,976
Administration	970,429	970,429	-	-
Residential	1,534	1,534	-	-
Recreation	87,005	87,005	-	-
Other	5,450	5,450	-	-
	12,646,986	12,612,161	34,825	37,976
Vehicles				
Service Vehicles	441,000	349,090	91,910	99,381
Pupil Transportation				
Vehicles-Buses	6,268,589	2,980,149	3,288,440	2,555,280
Total	$ 201,265,887	$ 91,344,338	$ 109,921,549	$ 107,166,354

School District
Notes to the Financial Statements
For the Two Months Ended August 31, 2013

Schedule 7A

School District
Details of Capital Assets-Additions

	Balance June 30, 2013	Additions	Balance August 31, 2013
Land and Sites			
Land and Sites	$ 2,191,100	$ -	$ 2,191,100
Buildings			
Schools	175,036,898	2,611,130	177,648,028
Administration	1,902,163	-	1,902,163
Residential	168,021	-	168,021
	177,107,082	2,611,130	179,718,212
10.12. 230 Furniture and Equipment			
Schools	11,582,568	-	11,582,568
Administration	970,429	-	970,429
Residential	1,534	-	1,534
Recreation	87,005	-	87,005
Other	5,450	-	5,450
	12,646,986	-	12,646,986
Vehicles			
Service Vehicles	441,000	-	441,000
Pupil Transporation			
Vehicles-Buses	5,471,053	797,536	6,268,589
Total Capital Assets	$ 197,857,221	$ 3,408,666	$ 201,265,887

Western School District
Notes to the Financial Statements
For the Two Months Ended August 31, 2013

Schedule 7B

Details of Capital Assets-Amortization

	Accumulated Amortization June 30, 2013	Amortization 2 Months	Accumulated Amortization August 31, 2013
Buildings			
Schools	$ 72,930,545	$ 571,478	$ 73,502,023
Adminstration	1,730,099	6,645	1,736,744
Residential	163,821	350	164,171
	74,824,465	578,473	75,402,938
Furniture and Equipment			
Schools	11,544,592	3,151	11,547,743
Adminstration	970,429	-	970,429
Residential	1,534	-	1,534
Recreation	87,005	-	87,005
Other	5,450	-	5,450
	12,609,010	3,151	12,612,161
Vehicles			
Service Vehicles	341,619	7,471	349,090
Pupil Transportation			
Vehicles-Buses	2,915,773	64,376	2,980,149
Total Amorrization	$ 90,690,867	$ 653,471	$ 91,344,338

School District
Notes to the Financial Statements
For the Two Months Ended August 31, 2013

Schedule 8

Bank loans, mortgage and debentures, approved by the District and the Government of Newfoundland and Labrador

						August 31, 2013		June 30, 2013
Loans-Pupil Transportation:								
Vehicle Bank Loans								
Repayable	$	542	monthly, maturing	2017	$	19,511	$	20,596
Repayable	$	548	monthly, maturing	2014		5,475		6,570
Repayable	$	1,095	monthly, maturing	2015		12,046		14,237
Repayable	$	1,117	monthly, maturing	2016		29,047		31,281
Repayable	$	1,675	monthly, maturing	2016		43,537		46,886
Repayable	$	542	monthly, maturing	2017		20,054		21,138
Repayable	$	4,530	monthly, maturing	2018		226,499		235,559
Repayable	$	5,930	monthly, maturing	2019		373,611		385,472
Repayable	$	3,025	monthly, maturing	2022		335,775		341,825
Repayable	$	3,201	monthly, maturing	2023		384,167		390,569
Repayable	$	5,521	monthly, maturing	2025		756,322		767,363
					$	2,206,044	$	2,261,496

Western School District
Notes to the Financial Statements
For the Two Months Ended August 31,2013

Schedule 8A

Summary of Long Term Debt

Description	Ref. 8	Rate	Balance Beginning of Period	Loans Obtained During Period	Principal Repaid for Period	Balance End of Period
A) School Construction						
B) Equipment						
C) Service Vehicles						
D) Other						
E) Pupil Transportation			$ 2,261,496	$ -	$ (55,452)	$ 2,206,044
Total Loans			$ 2,261,496	$ -	$ (55,452)	$ 2,206,044

Western School District
Notes to the Financial Statements
For the Two Months Ended August 31,2013

Schedule 8B

Schedule of Current Maturities

Description	Year 1	Year 2	Year 3	Year 4	Year 5
A) School Construction					
B) Equipment					
C) Service Vehicles					
D) Other					
E) Pupil Transportation	$ 332,706	$ 314,093	$ 290,651	$ 269,194	$ 230,243
Total	$ 332,706	$ 314,093	$ 290,651	$ 269,194	$ 230,243

Financial Statements

Workplace Health, Safety and Compensation Commission

December 31, 2014

Financial Statements

Management responsibility for financial reporting

The financial statements of the Workplace Health, Safety and Compensation Commission are prepared by management, who are responsible for the integrity and fairness of the data presented, including significant accounting judgments, estimates and actuarial assumptions. This responsibility includes selecting appropriate accounting principles and actuarial assumptions consistent with International Financial Reporting Standards. Financial information contained elsewhere in this Annual Performance Report is consistent with these financial statements.

In discharging its responsibility for the integrity and fairness of the financial statements, management maintains a system of internal controls designed to provide reasonable assurance that relevant and reliable financial information is produced and that assets are properly safeguarded. The Internal Auditor performs audits designed to test the adequacy and consistency of the Commission's internal controls, practices and procedures.

The Board of Directors oversees management responsibility for financial reporting through its Financial Services Committee which recommends approval of the financial statements. The Financial Services Committee oversees the external audit of the Commission's annual financial statements and the accounting and financial reporting and disclosure processes and policies of the Commission. The Financial Services Committee meets with management, the independent actuary and the independent auditors to discuss the results of the audit, the adequacy of internal accounting controls and the quality and integrity of financial reporting. The Commission's Board of Directors has approved the financial statements included in this Annual Performance Report.

Morneau Shepell Inc. has been appointed as independent consulting actuary to the Commission. Their role is to complete an independent actuarial valuation of the benefit liabilities of the Commission annually and to report thereon in accordance with accepted actuarial principles.

Ernst & Young, LLP, the independent auditors of the Commission, have performed an audit of the 2014 financial statements of the Commission in accordance with Canadian generally accepted auditing standards. The Independent Auditors' Report outlines the scope of this independent audit and their opinion on the financial statements.

Leslie Galway	Paul Kavanagh
Chief Executive Officer	Chief Financial & Information Officer

ACTUARIAL STATEMENT OF OPINION

We have completed the actuarial valuation of the benefit liabilities of the Workplace Health, Safety and Compensation Commission of Newfoundland and Labrador (the "Commission") as at December 31, 2014 (the "valuation date"). Details of the data, actuarial assumptions, valuation methods and results are included in the actuarial valuation report as at the valuation date, of which this statement of opinion forms part. In our opinion:

1. The data on which the valuation is based are sufficient and reliable for the purpose of the valuation. Data for the valuation were supplied by the Commission in accordance with specifications provided by us and we applied such checks of reasonableness of the data as we considered appropriate.
2. The assumptions are appropriate for the purpose of the valuation. The economic assumptions are consistent with the long-term financial strategy and long-term investment policies of the Commission. The discount rates used are disclosed in Note 14 to the financial statements.
3. The methods employed in the valuation are appropriate for the purpose of the valuation.
4. The valuation is based on the provisions of the Workplace Health, Safety and Compensation Act of Newfoundland and Labrador and on the Commission's policies and practices in effect on the valuation date.
5. The estimate of the actuarial liabilities for assessed employers as at the valuation date is $1,035,740,000. This includes provisions for benefits and administration expenses expected to be paid after the valuation date for accidents that occurred on or before the valuation date. It also includes a provision for potential long-latency occupational disease claims associated with exposure that occurred on or before the valuation date. Self-insured employers are not included in this valuation.
6. The amount of the actuarial liabilities makes appropriate provision for all personal injury compensation obligations and the financial statements fairly present the results of the valuation.
7. This report has been prepared, and our opinions given, in accordance with accepted actuarial practice in Canada.

Mark Simpson

Mark Simpson, F.C.I.A.
Morneau Shepell Ltd.
April 1, 2015

This report has been peer reviewed by Thane MacKay, F.C.I.A.

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Workplace Health, Safety, and Compensation Commission

We have audited the accompanying financial statements of the **Workplace Health, Safety and Compensation Commission**, which comprise the statement of financial position as at December 31, 2014 and the statements of comprehensive income, changes in funded position, 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.

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 those risk assessments, the auditors consider 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 **Workplace Health, Safety, and Compensation Commission** as at December 31, 2014 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

St. John's, Canada,
April 7, 2015

Ernst & Young LLP
Chartered Professional Accountants

***Statement of* FINANCIAL POSITION**
as at December 31

(thousands of dollars)	**2014**	2013
Assets		
Cash, cash equivalents and short-term investments	**$ 46,266**	$ 38,209
Accounts receivable [note 5]	**10,090**	13,788
Investments [note 6]	**1,126,120**	1,008,875
Property, plant and equipment [note 9]	**8,687**	8,620
Intangible assets [note 10]	**15,521**	16,153
	$ 1,206,684	$ 1,085,645
Liabilities		
Accounts payable and accrued liabilities [note 12]	**34,512**	29,375
Employee future benefits [note 15]	**6,631**	5,827
Benefit liabilities [note 14]	**1,035,739**	983,300
	1,076,882	1,018,502
Fund balance	**129,802**	67,143
	$ 1,206,684	$ 1,085,645

Commitments [note 23]

Authorized for issue on April 7, 2015, on behalf of the Board of Directors

Ralph Tucker
Chairperson

Darren Roberts
Director

See accompanying notes.

Statement of COMPREHENSIVE INCOME

Year ended December 31

(thousands of dollars)	**2014**	2013
Revenue		
Assessments revenue [note 13]	**$ 180,144**	$ 201,148
Investment income [note 7]	**117,982**	140,131
Third-party recoveries	**580**	1,123
	298,706	342,402
Expenses		
Claims costs incurred [note 14]		
Short-term disability	**30,933**	29,282
Long-term disability	**69,367**	68,103
Survivor benefits	**5,087**	5,470
Health care	**49,903**	47,163
Rehabilitation	**1,295**	1,249
Actuarial adjustments	**28,243**	(7,158)
Future administration costs	**10,698**	10,340
	195,526	154,449
Administration [note 16]	**24,551**	24,668
Legislated obligations [note 17]	**7,327**	7,814
Fees and interest [note 11]	**4,589**	3,880
Amortization [notes 9 and 10]	**3,130**	2,931
Other expenses [note 18]	**450**	185
	235,573	193,927
Operating surplus	**63,133**	148,475
Other comprehensive (loss) income		
Remeasurement of employee benefit liability [note 15]	**(474)**	461
Total comprehensive income	**$ 62,659**	$ 148,936

See accompanying notes.

***Statement of* CHANGES IN FUNDED POSITION**
Year ended December 31

(thousands of dollars)	**2014**	2013
Accumulated operating surplus (deficit)		
Balance, beginning of year	**$ 67,053**	$ (81,422)
Operating surplus	**63,133**	148,475
	130,186	67,053
Accumulated other comprehensive (loss) income		
Balance, beginning of year	**(460)**	(921)
Other comprehensive (loss) income	**(474)**	461
	(934)	(460)
Reserves		
Occupational Health and Safety Research [note 19]	**550**	550
Fund balance, end of year	**$ 129,802**	$ 67,143

See accompanying notes.

***Statement of* CASH FLOWS**
Year ended December 31

(thousands of dollars)	**2014**	2013
Cash flow from operating activities		
Cash received from:		
Employers, for assessments	**$ 182,768**	$ 199,968
Third parties	**580**	1,123
	183,348	201,091
Cash paid to:		
Claimants or third parties on their behalf	**(133,952)**	(130,981)
Suppliers and employees, for administrative and other goods and services	**(33,972)**	(34,086)
Investment manager, interest & other fees	**(4,589)**	(3,880)
	(172,513)	(168,947)
Net cash provided by operating activities	**10,835**	32,144
Cash flows from investing activities		
Cash received from:		
Interest	**10,419**	11,143
Dividends	**19,615**	17,559
Sale of investments	**395,423**	395,720
	425,457	424,422
Cash paid for:		
Purchase of investments	**(425,670)**	(449,353)
Purchase of property, plant and equipment	**(804)**	(703)
Purchase of intangible assets	**(1,761)**	(2,220)
	(428,235)	(452,276)
Net cash used for investing activities	**(2,778)**	(27,854)
Net change in cash and cash equivalents	**8,057**	4,290
Cash and cash equivalents		
Beginning of year	**38,209**	33,919
End of year	**$ 46,266**	$ 38,209

See accompanying notes.

Notes to FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS

The Workplace Health, Safety and Compensation Commission (the Commission) was established by the Newfoundland Legislature in 1951, under the *Workplace Health, Safety and Compensation Act* (the Act), as amended. The Commission is a legislative incorporated entity with no share capital. The main office of the Commission is located at 146-148 Forest Road, St. John's, Newfoundland and Labrador, Canada. The Commission operates two regional offices in Newfoundland and Labrador in Grand-Falls-Windsor and Corner Brook.

The Commission is responsible for, in accordance with the provisions of the *Act*, preventing and reducing the occurrence of workplace injuries and diseases through the promotion of health and safety in workplaces; the establishment of occupational health and safety certification standards and certification of trainers; facilitating the claims management process and administering the payment of benefits to injured workers and dependents of fatally injured workers; levying and collecting assessment revenues from established classes of employers in amounts sufficient to cover the current and future costs of existing claims; and investing funds, following investment policies which are approved by the Commission within guidelines established under the *Insurance Companies Act* (Canada). An independent Workplace Health, Safety and Compensation Review Division is established under the *Act* to make rulings on any appeals pertaining to the Commission assessment or benefit decisions. The Commission does not receive government funding or other assistance.

The funds, investments and income of the Commission are free from taxation pursuant to Section 10(2) of the *Act*.

2. BASIS OF PREPARATION

Statement of Compliance
These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

Going concern
The Commission has assessed the relevant financial and economic indicators and has determined that there is an ability to operate as a going concern, as supported by the funding strategy to achieve and maintain a funded ratio between 100% and 120% [note 24].

Basis of measurement
The financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value as explained in the significant accounting policies below. Historical cost is based on the fair value of the consideration given in exchange for assets.

The financial statements are presented in Canadian currency (unless otherwise indicated).

3. SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents and short-term investments

Cash and cash equivalents and short-term investments include cash, bank overdrafts and money market instruments. Those with original maturity dates at time of purchase of three months or less are classified as cash equivalents, whereas those with original maturities beyond 3 months, and less the 12 months are classified as short-term investments. Cash, cash equivalents and short-term investments are measured at fair value. Cash equivalents bear interest rates of 1.25% - 1.44% [2013 - 1.25% - 1.27%].

Assessments revenue

At the beginning of each year, an assessment is levied on employers by applying their industry assessment rate to their estimated payrolls at which point revenue is recognized. The assessment levy is payable by installments within the current year. At year-end, assessment revenue is adjusted based on a review of the employers' actual payrolls, as well for the estimate of practice and experience incentive refunds which are payable to the employers under the Prevention & Return to Work Insurance Management for Employers/Employees Program (PRIME).

Assessment revenue also includes payments from self-insured employers, who directly bear the costs of their own incurred claims and their share of administration costs.

Accounts receivable

A provision for accrued assessments is included in accounts receivable based on historical assessment information. Actual employers' payrolls may differ from estimates. The allowance for doubtful accounts is comprised primarily of outstanding balances older than two years.

Property, plant and equipment

Property, plant and equipment are reported at cost, less accumulated amortization. These assets are amortized on a straight-line basis over their estimated useful lives, as follows:

Building	40 years
Furniture and equipment	10 years
Computer equipment	1 to 5 years
Equipment under finance lease	3 to 5 years

At the end of each reporting period, the useful lives of items of property, plant and equipment are reviewed and adjusted if required, and an assessment is made whether there is any indication of impairment. If an item of property, plant and equipment is determined to be impaired, its carrying value is reduced to the net recoverable amount.

Intangible assets

Intangible assets, which include purchased software and internally developed systems including systems not yet in service, are recorded at cost. Assets in service are amortized monthly on a straight-line basis over their estimated useful lives of ten years. The amortization method and period are reviewed at the end of each reporting period. Intangible assets are assessed for impairment whenever there is an indicator that the intangible assets may be impaired. If an asset is determined to be impaired, its carrying value is reduced to the net recoverable amount.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Benefit liabilities

The benefit liabilities represent the actuarial present value of all future benefit payments expected to be made for injuries which occurred in the current fiscal year or in any prior year. The benefit liabilities include a provision for all benefits provided by current legislation, policies and/or business practices in respect of existing claims, as well as the estimated liability for latent occupational disease and a provision for the future costs of administering claims.

The benefit liabilities were valued by an independent actuary using accepted actuarial practices in accordance with the standards established by the Canadian Institute of Actuaries.

Benefit liabilities related to self-insured employers will be the responsibility of those employers when paid in future years. Accordingly, these benefit liabilities have not been determined by actuarial valuation and thus are not included in the Commission's benefit liabilities.

Foreign currency translation

Assets and liabilities denominated in foreign currencies are translated into their Canadian dollar equivalent using exchange rates in effect on the reporting date. Revenues and expenses are translated using exchange rates in effect at the transaction date. Realized and unrealized exchange gains or losses are included in comprehensive income.

Investments

Investments are designated as fair value through profit or loss (FVTPL). Realized gains and losses on the sale of investments, and unrealized gains and losses arising from the change in fair value of the investments are recorded in investment income during the period in which they arise. All purchases and sales of investments are recognized on the dates the trades are executed. Income from interest and dividends are recorded in as investment income in the period earned.

The fair value of publicly traded investments is based on quoted prices from security exchanges, while that of domestic real estate investments and pooled fund units are valued at their year-end net asset values. Real estate net asset values are based on independent appraisals. There are pooled unit funds in both the fixed term and equity investments [Note 6].

Financial instruments

The Commission's financial instruments consist of cash and cash equivalents, accounts receivable, investments, accounts payable and accrued liabilities. The carrying value of financial instruments, with the exception of investments, approximate fair value due to their immediate or short-term maturity and normal credit terms. Losses arising from impairment of accounts receivable are recognized in the statement of operations in fees and interest expense.

Financial assets and liabilities are initially recognized at fair value. Financial instruments are classified as follows for purposes of subsequent measurement:

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Asset/Liability	Classification	Measurement
Cash and cash equivalents	FVTPL	Fair Value
Accounts receivable	Loans and receivables	Amortized cost
Investments	FVTPL	Fair value
Accounts payables and accrued liabilities	Other liabilities	Amortized cost

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Financial instruments are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

Level 1 Valuation based on quoted prices [unadjusted] in active markets for identical assets or liabilities.

Level 2 Valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly [i.e., as prices] or indirectly [i.e., derived from prices].

Level 3 Valuation techniques using inputs for the asset or liability that are not based on observable market data [unobservable inputs].

Financial instruments included in level 1 of the fair value hierarchy consist of cash and cash equivalents and equities. All other financial instruments are included in level 2. The Commission determines whether transfers have occurred between levels in the hierarchy for reassessing categorization at the end of each reporting period.

Employee future benefits

Employees participate in the Province of Newfoundland and Labrador's Public Service Pension Plan (PPSP), a multi-employer defined benefit plan. The employer's contributions are expensed as incurred. The Commission is not obligated for any unfunded liability, nor is the Commission entitled to any surplus that may arise in this plan.

The Commission provides a severance payment upon retirement, resignation or termination without cause. The expected costs of providing these employee future benefits are accounted for on an accrual basis and have been actuarially determined using the projected benefit method prorated on service, and management's best estimate of wage inflation, and retirement ages of employees. Discount rates are based on the market yields of high quality corporate bonds. Actuarial gains and losses are recognized immediately through other comprehensive income in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods. These benefits are unfunded.

3. **SIGNIFICANT ACCOUNTING POLICIES (continued)**

Third-party recoveries
In certain circumstances, under Section 45 of the *Act*, the Commission is deemed to be an assignee of a cause of action in respect of a claimant disability. The amount by which settlements exceed the cost of the action, including administration and future benefit entitlement, is paid to the worker or dependents. Amounts received from third-party recoveries are recorded in the year during which the settlement occurs. No provision is made in the benefit liability for possible future third-party recoveries due to their contingent nature.

Reserves
In accordance with Section 20.5 (1) of the *Act*, the Commission maintains a special reserve fund for the purpose of health and safety research. The Act permits the Commission to allocate up to a maximum of 2% of its total assessment and investment income in each calendar year to establish and maintain this special fund.

In accordance with Section 116 (1) of the *Act*, the Commission may, at its discretion, establish reserves for the following:

- to meet an increase in the capitalization of compensation payments payable in future years where the increase cannot be provided without placing an undue burden on the employers in an industrial classification;

- to meet the loss arising from a disaster or other circumstances which would unfairly burden the employers in an industrial classification; or

- subject to the approval of the Lieutenant-Governor in Council, to meet the costs of particular needs of the Commission that it considers necessary.

Standards issued but not yet effective
The following standard has been issued, but not yet effective. The Commission intends to adopt this standard when it becomes effective.

IFRS 9 *Financial Instruments*
In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments* which reflects all phases of the financial instruments project and replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. The adoption of IFRS 9 will have an effect on the classification and measurement of the Commission's financial assets, but no impact on the classification and measurement of its financial liabilities.

4. SIGNIFICANT JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Benefit liabilities
An actuarial valuation of the benefit liabilities is prepared by an independent firm of consulting actuaries who have rendered their opinion that the valuation was prepared in accordance with accepted actuarial practice, and that the actuarial assumptions are appropriate.

A variety of estimation techniques are used in performing the valuation. They are generally based on statistical analyses of historical experience, which assume the development pattern of the current claims will be consistent with past experience. Due to the nature of the estimated liability for latent occupational disease and the extent of historical information available, this liability is by its nature more uncertain than other benefit liabilities.

The Commission believes that the amount provided for benefit liabilities as at December 31, 2014, is adequate, recognizing that actuarial methods and assumptions as disclosed in note 14 may change over time to reflect underlying economic trends. Changes in assumptions could have a material impact on the benefit liability.

Assessments revenue
Accounts receivable at year-end include an estimate of annual premium revenues for the year that have not yet been received from employers. The recorded amounts are based upon management's best information and judgment, with regards to actual experience in preceding years. However, until all employers actually submit their final annual payroll information to the Commission, the recorded assessments revenues for the year and the estimated amounts receivable at year-end are subject to measurement uncertainty.

Employee future benefits
An actuarial valuation of severance and accumulated annual leave liabilities is prepared by an independent firm of consulting actuaries, using the assumptions disclosed in note 15. Changes in these assumptions could have a material impact on the accrued benefit obligations.

5. ACCOUNTS RECEIVABLE

(thousands of dollars)	**2014**	2013
Assessments	**$ 9,538**	$ 12,108
Less: Allowance for doubtful accounts	**(3,873)**	(4,581)
	5,665	7,527
Accrued assessments	**1,237**	3,199
Other	**3,188**	3,062
	$ 10,090	$ 13,788

6. INVESTMENTS

(thousands of dollars)	2014	2013
Fixed term	$ 301,192	$ 275,850
Equities	729,725	669,203
Real Estate	95,203	63,822
	$1,126,120	$ 1,008,875

Fair Value Hierarchy

(thousands of dollars)	2014	2013
Level 1		
Cash and cash equivalents	$ 3	$ 17,260
Domestic equities	365,899	337,840
Foreign equities	363,826	320,442
	729,728	675,542
Level 2		
Fixed term investments	301,190	269,511
Real Estate	95,202	63,822
	396,392	333,333
	$ 1,126,120	$ 1,008,875

There have been no transfers between levels during 2014.

7. INVESTMENT INCOME

Investment income is comprised of the following:

(thousands of dollars)	2014	2013
Interest and dividends	$ 29,298	$ 28,034
Realized gain on sale of investments	29,272	13,443
Interest on short-term investments	736	668
Unrealized gain on change in fair market value of investments	58,676	97,986
Investment income	$ 117,982	$ 140,131

8. FINANCIAL RISK MANAGEMENT

The Commission manages its investment portfolio in accordance with its long-term investment policy. The investment risk inherent in an investment portfolio is managed through diversification in both asset classes and investments within each asset class. The Commission also engages a number of different fund managers with a broad range of investment philosophies and styles.

The Board of Directors is ultimately responsible for the governance and strategic direction of the Commission's investments through its review and approval of the long-term investment policy and ensuring adherence to the policy. Management is responsible for monitoring performance, regular reporting to the Board, and recommending changes in the investment policy or fund managers. The Board and Management use the services of an external consultant to benchmark the performance of fund managers and to provide advice on investment policies and practices.
The following sections describe the key financial risk exposures and management strategies to mitigate these risks.

Credit risk
Credit exposure on fixed income securities arises from the possibility that the issuer of an instrument fails to meet its obligation to make interest payments and repay principal. The Commission may invest in short-term commercial debt or paper rated R1 or higher. Provincial short-term debt and debt of agencies guaranteed by the provinces may be rated lower than R1.
The short-term portfolio investments held with any one corporate issuer is limited to 10%, at any given time, of the Commission's estimated annual cash receipts.

At December 31, 2014, 79.1% [2013 – 80.6%] of the fixed income assets in the portfolio have at least an "A" credit rating. The Commission does not anticipate that any issuers will fail to meet their obligations.

Currency risk
Currency risk is the risk that the value of financial assets and liabilities denominated in foreign currencies will fluctuate due to changes in their respective exchange rates compared to the Canadian dollar. Investments denominated in foreign currency are translated into Canadian dollars at the exchange rate in effect at the reporting date. Funds significantly invested in foreign denominated fixed-term investments manage their foreign exchange exposure through forward foreign exchange and future contracts. Hedge accounting has not been applied to hedging arrangements. The Commission does not undertake hedging strategies for the currency risk of foreign equity investments.

As at December 31, 2014, the Commission's holdings in foreign equities and pooled equity funds had a market value of $363.8 million [2013 - $320.4 million] representing 32.3% [2013 – 31.8%] of the market value of the total investment portfolio.

The table below presents the impact on comprehensive income of a 10% appreciation in the value of the Canadian/U.S. dollar and the Canadian dollar/Euro on the value of the equity portfolio.

8. FINANCIAL RISK MANAGEMENT (continued)

(thousands of dollars)	**2014**		2013	
10% appreciation in the Canadian dollar	**CAD/USD**	**CAD/EURO**	CAD/USD	CAD/EURO
Impact on comprehensive income	**$ (20,968)**	**$ (3,872)**	$ (18,339)	$ (3,040)

Interest rate risk

Interest rate risk is the risk that the value of a financial security will fluctuate due to changes in market interest rates. The Commission is exposed to interest rate risk through investment in fixed income securities. Interest rate risk is managed through diversification of fixed income securities through sector allocation and security duration.

The table below presents the impact on comprehensive income of a 50 basis point (bps) and 100 bps changes in interest rates on the fixed income portfolio:

(thousands of dollars)	**2014**		2013	
Change in nominal interest rates	+50bps	+100bps	+50bps	+100bps
Impact on comprehensive income	**$ (10,343)**	**$ (20,377)**	$ (8,606)	$ (16,958)

The table below represents the remaining term to maturity of the Commission's fixed-term investments:

(thousands of dollars)	Remaining Term to Maturity			
Fixed term Investments	Within 1 year	1 to 5 years	Over 5 years	Total
2014 Fair Value	**$ 33,830**	**$ 66,010**	**$ 201,352**	**$ 301,192**
2013 Fair Value	$ 32,712	$ 73,975	$ 169,163	$ 275,850

Liquidity risk

Liquidity risk is the risk that the Commission will be unable to meet its contractual obligations and financial liabilities. The Commission manages liquidity risk by monitoring its cash flows and by ensuring that it has sufficient cash and credit facilities available to meet its obligations and liabilities.

Equity price risk

Equity price risk is the risk that the fair value of marketable securities or long-term investments will change as a result of changes in the market price. Market prices of securities are subject to change as a result of perceived or real underlying changes in the economic condition of the issuer, the relative price of alternative investments, and general market conditions.

8. FINANCIAL RISK MANAGEMENT (continued)

The Commission manages market risk through adherence to an investment policy that prescribes an asset mix that provides for the diversification of risk across a broad group of securities that meet the long-term return objectives of the investments portfolio.

The table below presents the impact on comprehensive income of a material change in the key risk variable measured as 1 or 2 standard deviations (std dev) of the sector benchmark, for each of the equity mandates in the Commission's equity portfolio.

(thousands of dollars)	**2014**		2013	
Equities	**1 std dev**	**2 std dev**	1 std dev	2 std dev
% Change in market benchmark	**(10.1%)**	**(20.3%)**	(12.7%)	(25.3%)
Canadian equity	**$ (33,696)**	**$ (61,710)**	$ (39,185)	$ (70,455)
% Change in market benchmark	**(8.7%)**	**(17.5%)**	(11.2%)	(22.4%)
Non-Canadian equity	**$ (29,209)**	**$ (54,076)**	$ (32,256)	$ (58,611)

9. PROPERTY, PLANT AND EQUIPMENT

(thousands of dollars)	**2014**			
	Opening Balance	**Additions/ Depreciation**	**Disposals**	**Closing Balance**
Cost				
Land	**$ 3,000**	**$ -**	**$ -**	**$ 3,000**
Buildings	**10,857**	**-**	**-**	**10,857**
Furniture & equipment	**2,893**	**74**	**(41)**	**2,926**
Computer equipment	**4,355**	**562**	**(662)**	**4,255**
Total	**21,105**	**636**	**(703)**	**21,038**
Accumulated Depreciation				
Land	**-**	**-**	**-**	**-**
Buildings	**6,338**	**200**	**-**	**6,538**
Furniture & equipment	**2,548**	**66**	**(41)**	**2,573**
Computer equipment	**3,599**	**303**	**(662)**	**3,240**
Total	**12,485**	**569**	**(703)**	**12,351**
Net Book Value	**$ 8,620**	**$ 67**	**$ -**	**$ 8,687**

9. PROPERTY, PLANT AND EQUIPMENT (continued)

(thousands of dollars)	2013			
	Opening Balance	Additions/ Depreciation	Disposals	Closing Balance
Cost				
Land	$ 3,000	$ -	$ -	$ 3,000
Buildings	10,727	130	-	10,857
Furniture & equipment	2,765	152	(24)	2,893
Computer equipment	4,301	295	(241)	4,355
Total	20,793	577	(265)	21,105
Accumulated Depreciation				
Land	-	-	-	-
Buildings	6,141	197	-	6,338
Furniture & equipment	2,499	72	(23)	2,548
Computer equipment	3,570	266	(237)	3,599
Total	12,210	535	(260)	12,485
Net Book Value	$ 8,583	$ 42	$ (5)	$ 8,620

10. INTANGIBLE ASSETS

(thousands of dollars)	Cost	Accumulated Amortization	Net Book Value
Balance at January 1, 2013	$ 26,505	$ (10,303)	$ 16,202
Additions	2,347	-	2,347
Disposals	(470)	470	-
Amortization	-	(2,396)	(2,396)
Balance at December 31, 2013	**$ 28,382**	**$ (12,229)**	**$ 16,153**
Additions	**1,929**	**-**	**1,929**
Disposals	**(75)**	**75**	**-**
Amortization	**-**	**(2,561)**	**(2,561)**
Closing balance, December 31, 2014	**$ 30,236**	**$ (14,715)**	**$ 15,521**

Intangible assets include $1,761,162 [2013 - $2,220,000] related to internally developed systems which are not yet in service.

11. FEES AND INTEREST

Fees and interest are comprised of the following:

(thousands of dollars)	**2014**	2013
Fund managers' investment fees	**$ 4,193**	$ 3,509
Banking fees	**97**	94
Bad debt expense	**279**	245
Interest paid to claimants	**20**	32
Fees and interest	**$ 4,589**	$ 3,880

The Commission has established an operating line of credit with its banker in the amount of $20,000,000. Advances on the line of credit bear interest at the bank's prime interest rate minus 0.4%. The credit facility is unsecured and was not utilized during 2014. No amount was outstanding at December 31, 2014 and 2013.

12. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

(thousands of dollars)	**2014**	2013
Accounts payable	**$ 27,728**	$ 24,725
Amounts due to employees	**777**	700
Credit balances due to employers	**6,007**	3,950
	$ 34,512	$ 29,375

Accounts payable includes a provision in the amount of $19,612,000 [2013 - $16,561,000] for amounts owing to employers under the Commission's PRIME program.

13. ASSESSMENTS REVENUE

The Commission administers the *Act* for two groups of employers, referred to as assessment-based employers and self-insured employers. Assessment-based employers are insured through "collective liability" and are required to contribute to the Commission's injury fund, whereas self-insured employers are individually liable. The Commission pays the actual cost of claims for self-insured employers and bills them on a monthly basis for payments related to: short-term disability, including rehabilitation; health care; long-term disability, including permanent functional impairment awards; and survivor benefits, together with their proportionate share of administration costs.

13. ASSESSMENTS REVENUE (continued)

(thousands of dollars)	**2014**	2013
Gross assessed employers	**$ 185,449**	$ 202,315
Assessment reporting penalties & interest	**1,304**	1,387
PRIME refunds	**(16,531)**	(12,405)
Net assessment revenue	**170,222**	191,297
Self-insured employers [note 22]	**9,922**	9,851
Total	**$ 180,144**	$ 201,148

14. BENEFIT LIABILITIES AND CLAIMS COSTS

(thousands of dollars)	2014							2013
	Short-term disability	Long-term disability	Survivor benefits	Health care	Rehabilit-ation	Future Admin. Cost	Total	Total
Balance, beginning of year	$ 51,979	$ 535,797	$ 53,484	$ 266,683	$ 3,364	$ 71,993	$ 983,300	$ 968,804
Add:								
Claims costs incurred:								
Current–year injuries	27,448	31,734	1,267	31,236	1,078	6,240	99,003	94,162
Prior years' injuries	646	3,976	499	1,984	17	-	7,122	7,179
Interest expense	2,839	33,657	3,321	16,683	200	4,458	61,158	60,266
	30,933	69,367	5,087	49,903	1,295	10,698	167,283	161,607
Deduct:								
Claims payments:								
Current–year injuries	9,965	394	65	8,927	4	-	19,355	18,252
Prior years' injuries	18,928	57,329	6,980	30,653	707	9,135	123,732	121,701
	28,893	57,723	7,045	39,580	711	9,135	143,087	139,953
Actuarial adjustments:								
Claims experience different than expected	(533)	(2,736)	412	(1,056)	(929)	(15)	(4,857)	(3,500)
Inflation lower than expected	-	(8,700)	(700)	(500)	-	-	(9,900)	(8,300)
Change in inflation assumption	600	4,000	300	11,600	-	1,300	17,800	-
Change in mortality assumption	-	10,900	2,000	3,100	-	1,300	17,300	-
Other gains/losses	100	2,000	400	400	-	5,000	7,900	4,642
Sub-total	167	5,464	2,412	13,544	(929)	7,585	28,243	(7,158)
Balance, end of year	$ 54,186	$ 552,905	$ 53,938	$ 290,550	$ 3,019	$ 81,141	$1,035,739	$ 983,300

14. BENEFIT LIABILITIES AND CLAIMS COSTS (continued)

Claims Development

The table that follows presents the development of the estimated ultimate cost of claims and claim payments for accident years 2007-2014. The top part of the table illustrates how the estimate of total claims benefits for each accident year has changed with more experience over succeeding year-ends. It shows the estimated cost of claims for an accident year in the year of accident, one year after the year of accident, two years after the year of accident, and so on and compares the total estimated cost to the actual cumulative payments over the development period. Due to the extremely long duration of many Commission benefits, significant amounts may be paid out in the distant future beyond the valuation date. The bottom part of the table reconciles the total outstanding benefits amount to the discounted amount reported in the statement of financial position.

(thousands of dollars)

Accident Year	2007	2008	2009	2010	2011	2012	2013	2014	Total
Estimate of cumulative claims:									
At end of year of accident	$139,691	$ 149,568	$ 186,721	$ 147,535	$ 154,019	143,904	145,693	148,491	
One year later	127,031	139,326	166,238	142,380	133,805	133,430	134,943		
Two years later	126,662	132,818	167,506	141,823	142,895	124,360			
Three years later	132,010	134,934	170,448	140,343	136,185				
Four years later	136,412	137,089	170,422	144,340					
Five years later	135,433	134,095	167,565						
Six years later	131,799	134,298							
Seven years later	135,249								
Estimate of cumulative claims	135,249	134,298	167,565	144,341	136,185	124,360	134,942	148,491	1,125,431
Cumulative payments	(63,606)	(61,348)	(62,216)	(56,191)	(50,120)	(41,430)	(33,356)	(17,772)	(386,039)
Estimate of future Payments	71,643	72,950	105,349	88,150	86,065	82,930	101,586	130,719	739,392
2006 and prior years									891,751
Effect of discounting									(747,256)
Latent occupational disease									70,711
Claims Administration									81,141
Benefit Liabilities at December 31, 2014									**$ 1,035,739**

14. BENEFIT LIABILITIES AND CLAIMS COSTS (continued)

The table below lists the principal economic assumptions used in the valuation of the benefits liabilities.

	2014		2013	
	CPI-Indexed awards	**Other payments**	CPI-Indexed awards	Other payments
Gross rate of return	**6.09%**	**6.09%**	6.61%	6.61%
Inflation year 1	**1.40%**	**2.50%**	1.00%	3.00%
Inflation later years	**2.50%**	**2.50%**	3.00%	3.00%
Net rate of return year 1	**4.62%**	**3.50%**	5.55%	3.50%
Net rate of return later years	**3.50%**	**3.50%**	3.50%	3.50%
Occupational disease	**8.00%**	**8.00%**	7.00%	7.00%
Future Administration	**8.50%**	**8.50%**	8.50%	8.50%

A description of the processes used to determine these assumptions is provided below:

General statement
Benefit liabilities are valued based on the primary assumption that the system will be in operation for the long term. Economic assumptions are formulated to be consistent with the funding and investment policies adopted by the Board. Demographic assumptions are chosen to reflect the Commission's underlying experience and are updated over time as enough experience is available to suggest an underlying trend, rather than statistical fluctuations.

Gross rate of return
The gross rate or return represents the best estimate of the long term average rate of return that can be expected based on the benchmark asset allocation adopted by the Commission through its long term investments policy. The weighted average real rate of return is compounded by the long-term expected average inflation rate to obtain the gross rate of return.

Inflation
The indexation rate for year one is known at the time of the valuation. The Commission calculates the change in the Consumer Price Index (CPI) for the 12 month period July – June, over the previous 12-month period July – June, and any resulting increase is applied beginning in January of the following year to dependency benefits, extended earnings loss benefits, maximum compensable earnings and assessable earnings, pursuant to the WHSC Act. The inflation rate assumption for later years is management best estimate, consistent with the range of accepted actuarial practice for worker's compensation organizations in Canada.

Net Rate of return
The net rate of return is the result of removing the inflation assumption from the gross rate of return.

14. BENEFIT LIABILITIES AND CLAIMS COSTS (continued)

Mortality

The mortality rates used in the valuation of the benefit liabilities are based on general population experience, since actual injured worker mortality data is inadequate to develop a reliable assumption. The current valuation is based on the Newfoundland Life Table 2009-11 from Statistics Canada. The previous valuation was based on the Newfoundland Life Table 2000-02.

Occupational Disease

The liability for occupational disease is intended to provide a reasonable allowance for future claims for known occupational diseases which arise from past workplace exposures. An actuarial study of the Commission's occupational disease exposure is conducted periodically, focussing on long latency claims related to cancers, respiratory illnesses and hearing loss. These categories comprise the majority of long latency occupational disease claims accepted by the Commission. The most recent study was conducted in 2014 and concluded that reasonable range would be 7.5%-9.5% of the benefit liability. The Commission has included a provision of 8.0% of the benefit liability for latent occupational disease [2013 – 7%].

Future Administration

The future administration liability is intended to provide a reasonable allowance for the management of claims, including compensation for lost wages and paying for health care services over the life of the claim. A detailed analysis of administration costs is performed periodically and an estimate made of the proportion attributable to the management of claims, including a proportionate share of overhead costs. The last review was conducted in 2012 and concluded that an allowance of 8.5% of the benefit liability was reasonable.

Sensitivity of Insurance risk

In determining the Commission's benefit liabilities, a primary risk is that the actual benefit payments may exceed the amount estimated in determining the liabilities, particularly with potentially long claims run-off periods. The table below shows the sensitivity of benefit liabilities and claims costs to changes in the key assumptions.

(millions of dollars)

1% Change in assumption	Impact	Benefit Liabilities	Claims Costs
Decrease discount rate	Increase	**$ 87.1**	**$ 5.8**
Increase inflation rate	Increase	**$ 47.3**	**$ 3.7**
Increase health care inflation	Increase	**$ 34.9**	**$ 1.9**

Claims risk

The Commission has an objective to manage claims risk, which can lead to significant variability in the loss experience due to its inherent uncertainty. Performance from operations is also significantly affected by external factors.

Insurance risk associated with the volume and cost of claims is addressed through prevention and proactive claims management. The Prevention Strategy focuses attention on workplace risks that lead to

14. BENEFIT LIABILITIES AND CLAIMS COSTS (continued)

the highest frequency of claims. The Commission provides a Priority Employer Program to assist employers with high claims and costs, and invests in educating young workers, developing safety associations at the industry level, and delivering safety education to employers and workers to control workplace risks. The Early and Safe Return to Work (ESRTW) process facilitates recovery at work and helps manage claim costs. In addition, the rate setting model provides incentives to employers through the PRIME program to manage injuries and work to prevent future injuries.

15. EMPLOYEE FUTURE BENEFITS

Public Service Pension Plan

The Commission's contributions to the Public Service Pension Plan of $1,740,800 [2013 - $1,679,600] are included in administration expenses and have been expensed as incurred.

Severance payments and annual leave

The Commission provides a severance payment and a payment for accumulated annual leave balances to employees upon retirement, resignation or termination without cause. The weighted average time to expected benefit payment is 11.1 years. In 2014, cash payments to retirees were $317,000 [2013 - $252,000].

The last actuarial valuation was performed effective December 31, 2012. The next actuarial valuation will be performed as at December 31, 2015.

(thousands of dollars)	**2014**	2013
Accrued benefit obligation, beginning of year	**$ 5,827**	$ 5,905
Current service cost	**375**	403
Interest cost	**272**	232
Actuarial loss (gain)	**474**	(461)
	6,948	6,079
Benefits paid	**(317)**	(252)
Accrued benefit obligation, end of year	**$ 6,631**	$ 5,827

15. EMPLOYEE FUTURE BENEFITS (continued)

The significant actuarial assumptions used in measuring the accrued benefit obligation and benefit expense are as follows:

	2014	**2013**
Discount rate – benefit cost	**3.75%**	3.75%
Discount rate – accrued benefit obligation	**3.75%**	4.50%
Rate of compensation increase	**3.00%**	3.00%

The table below shows the sensitivities of the benefit obligation to a 0.25% change in the key assumptions:

(thousands of dollars)	**Increase**	**Decrease**
Discount Rate	**$ (173)**	**$ 180**
Rate of compensation increase	**$ 181**	**$ (175)**

16. ADMINISTRATION

(thousands of dollars)	**2014**	2013
Salaries and employee benefits	**$ 27,499**	$ 27,758
Office and communications	**2,758**	2,831
Professional fees	**1,915**	1,573
Building operations	**939**	932
Travel and vehicle operating	**575**	546
	33,686	33,640
Less: Claims administration [note 14]	**9,135**	8,972
	$ 24,551	$ 24,668

17. LEGISLATED AND OTHER OBLIGATIONS

The Commission is required by legislation to fund the operating costs of the Occupational, Health and Safety Branch of Service NL in delivering their occupational health and safety mandate and all of the costs of the Workplace Health, Safety and Compensation Review Division and the Statutory Review. The Commission also reimburses the provincial government for a portion of the operating costs of the Labour Relations Agency in respect of administering the Act. The Commission is required to fund the operating costs of the employer and worker advisor positions. Total expenses incurred by the Commission for legislated obligations are detailed below:

(thousands of dollars)	**2014**	2013
Service NL and Labour Relations Agency	**$ 5,246**	$ 5,019
Workplace Health, Safety and Compensation Review Division	**1,070**	1,138
Employer and Worker Advisors	**826**	900
Statutory Review on WHSCC	**185**	757
	$ 7,327	$ 7,814

18. OTHER EXPENSES

(thousands of dollars)	**2014**	2013
Sectoral advisors and grants	**$ 153**	$ 100
Business improvement projects	**297**	85
	$ 450	$ 185

19. RESERVES

As provided by legislation, the Commission maintains a reserve for funding studies, projects and research relating to the enhancement of occupational health and safety in the workplace. During 2014, no amount was charged to the reserve [2013 - Nil].

20. RELATED PARTY TRANSACTIONS

These financial statements include amounts resulting from normal operating transactions with various provincial government departments, agencies, and Crown corporations with which the Commission may be considered related. The provincial government is also a self-insured employer, and account balances resulting from these transactions are included in the financial statements and are measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

The amounts included in Note 22 and on the statement of operations for the Province of Newfoundland and Labrador are as follows:

(thousands of dollars)	**2014**	2013
Claims costs	**$ 3,621**	$ 3,600
Administration	**487**	498
Revenue	**$ 4,108**	$ 4,098

The Commission has identified the Board of Directors and Senior Management team as related parties. The Senior Management team includes the Chief Executive Officer, Chief Financial and Information Officer, Executive Directors and four other Senior Staff members. Compensation related to these parties is shown below:

(thousands of dollars)		**2014**		2013
	Number	**Total**	Number	Total
Board of Directors				
Salary and Benefits	**10**	**$ 128**	10	$ 105
Senior Management				
Salary and Benefits	**9**	**$ 1,228**	9	$ 1,293
Severance and annual leave		**$ 37**		$ 38

21. INDUSTRY LEVY

The Commission has levied a surcharge of $0.10 per $100 of payroll on employers in the construction sector to fund a portion of the operating costs of safety and health training programs conducted by the Newfoundland and Labrador Construction Safety Association. The amounts collected on behalf of the association totaled $1,416,000 [2013 - $1,533,000] and are not included in the statement of operations.

22. SELF-INSURED EMPLOYERS

The financial statements include the effects of transactions carried out for self-insured employers, principally federal and provincial government bodies, who directly bear the costs of their own incurred claims and a share of administration costs. The claims costs and administrative expenses included in assessments revenue on the statement of operations are as follows:

(thousands of dollars)	**2014**	2013
Claims costs incurred:		
Short-term disability	**$ 911**	$ 1,026
Long-term disability	**3,988**	3,870
Survivor benefits	**499**	464
Health Care	**2,642**	2,691
Administration charges	**1,882**	1,800
Revenue from self-insured employers	**$ 9,922**	$ 9,851

23. COMMITMENTS

The Commission has entered into operating leases for office premises with lease terms between three and five years with the option to renew for additional terms of three to five years.

Future minimum rentals payable under non-cancellable operating lesases as at December 31, 2014 are, as follows:

(thousands of dollars)	**2014**	2013
Within one year	**$ 241**	$ 241
After one year but not more than five years	**547**	803
Non-cancellable operating leases	**$ 788**	$ 1,044

24. CAPITAL MANAGEMENT

The objective of the Commission's long-term financial strategy is to maintain a funded position that will provide for the security of benefits promised to injured workers within employers' reasonable ability to pay assessments. The Commission's funded position is defined by the relationship of total assets to total liabilities and the Injury Fund is fully funded when the total assets equal or exceed total liabilities. At December 31, 2014 the funded ratio was 112.0% [2013 – 106.5%]. The Fund balance consists of accumulated net operating surplus, accumulated other comprehensive income and the occupational health, safety and research reserve.

24. CAPITAL MANAGEMENT (continued)

The Board of Directors has established a funding target of total assets equal to 110% of total liabilities. When the funded ratio is less than 100%, the Commission will adjust assessment rates paid by employers over a fifteen-year period to achieve the funding target. The Commission's assessment rates for 2013 and 2014 included an upward adjustment of $0.25 per $100 of payroll.

Funded Position

(thousands of dollars)	**2014**	2013
Total assets	$ 1,206,684	$ 1,085,645
Less: Total liabilities	1,076,882	1,018,502
Funded position	$129,802	$ 67,143
Reserves	$ 550	$ 550
Funded ratio	112.0%	106.5%

25. CONTINGENT LIABILITY

On February 18, 2014, pursuant to an application for judicial review of a Worker's Compensation Review Division decision, the Newfoundland and Labrador Supreme Court, Trial Division, ruled that the Commission could not apply the Maximum Compensable and Assessable Earnings (MCAE) limit to the calculation of Pension Replacement Benefits (PRB), since the Workplace Health, Safety and Compensation Act (the Act) did not specifically state that the limit applies to PRB awards, unlike the sections for other benefits. Removal of the MCAE limit will lead to higher PRB awards, and consequently higher liabilities, for those claimants where the limit was applied in their PRB calculation. The Commission appealed this decision, and on November 20, 2014, the Newfoundland and Labrador Court of Appeal upheld the decision. In January 2015 the Commission filed a leave to appeal this decision to the Supreme Court of Canada. The Commission is authorized by its legislation to recommend those changes considered advisable to the Minister.

The Commission has not recognized a liability in relation to this matter, since there is uncertainty regarding the probable outcome at this time. If the Commission is not successful on appeal, and fails to secure amendments to its legislation, the increase in liability is estimated at approximately $3.0 million.

26. COMPARATIVE FIGURES

The comparative figures have been reclassified to conform to the 2014 financial statement presentation. A portion of administrative expenses have been allocated to the administration of claims [notes 14 and 16], and amounts due to employers in relation to PRIME refunds are included in accounts receivable, and amounts due from employers in relation to PRIME experience charges are included in accounts payable, rather than both amounts included in accounts receivable payable on a net basis [notes 5 and 12].

FIVE-YEAR HISTORY
DECEMBER 31, 2014

Statement of Operations and Fund Surplus (Deficiency)
for the Years Ending December 31

(thousands of dollars)	2014	2013	2012	2011	2010
Revenue					
Assessments	**$ 180,144**	$ 201,148	$ 197,488	$ 188,367	$ 166,220
Investment income (loss)	**117,982**	140,131	82,634	(11,602)	65,217
Third-party recoveries	**580**	1,123	838	1,049	1,080
	298,706	342,402	280,960	177,814	232,517
Expenses					
Claims costs incurred	**167,283**	161,607	225,001	158,804	153,572
Administration	**24,551**	24,668	26,166	25,088	22,887
Legislated obligations	**7,327**	7,814	7,624	6,952	6,649
Amortization	**3,130**	2,931	2,664	2,491	2,179
Fee and interest	**4,589**	3,880	3,749	3,245	2,627
Actuarial adjustments	**28,243**	(7,158)	25,069	1,495	(9,748)
Other	**450**	185	592	1,520	1,258
	235,573	193,927	290,865	199,595	179,424
Surplus (Deficit) for the year	**63,133**	148,475	(9,905)	(21,781)	53,093
Fund deficiency, beginning of year	**66,593**	(82,343)	(72,190)	(50,409)	(103,502)
Reserve balance, beginning of year	**550**	550	560	640	815
Total fund deficiency, beginning of year	**67,143**	(81,793)	(71,630)	(49,769)	(102,687)
Surplus (Deficit) for the year	**63,133**	148,475	(9,905)	(21,781)	53,093
Appropriation of reserve fund	**-**	-	(10)	(80)	(175)
Other comprehensive income (loss)	**(474)**	461	(248)	-	-
Total fund balance, end of year	**$ 129,802**	$ 67,143	$ (81,793)	$ (71,630)	$ (49,769)