

**STUDENT LOAN CORPORATION OF
NEWFOUNDLAND AND LABRADOR**

FINANCIAL STATEMENTS

MARCH 31, 2017

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.

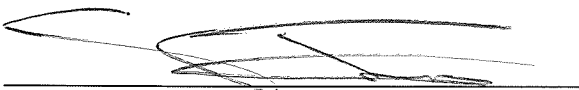
Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that transactions are properly authorized, assets are safeguarded and liabilities are recognized.

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 on a periodic basis and external audited financial statements yearly.

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

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



Mr. Scott Jones, CPA, CMA
Director of Portfolio Management



**AUDITOR
GENERAL**
of Newfoundland and Labrador

INDEPENDENT AUDITOR'S REPORT

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

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, 2017, 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, 2017, and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

A handwritten signature in black ink, appearing to read 'TERRY PADDON', with a long horizontal line extending to the right.

TERRY PADDON, CPA, CA
Auditor General

July 31, 2017
St. John's, Newfoundland and Labrador

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

As at March 31

2017

2016

FINANCIAL ASSETS

Cash	\$ 12,246,888	\$ 9,378,347
Due from government (Note 4)	161,541	305,311
Student loans receivable (Note 5)	55,885,882	68,526,479
	68,294,311	78,210,137

LIABILITIES

Accounts payable and accrued liabilities (Note 6)	193,935	188,513
Employee future benefits (Note 7)	195,993	366,612
Due to government (Note 8)	56,962	61,647
Long-term debt (Note 9)	-	1,804,000
	446,890	2,420,772

Net financial assets 67,847,421 75,789,365

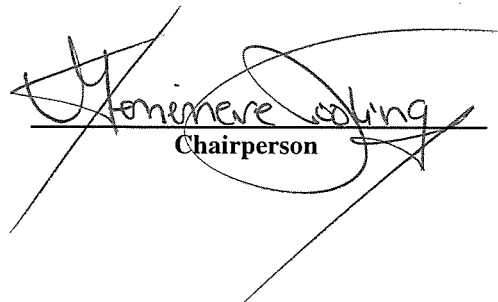
NON-FINANCIAL ASSETS

Tangible capital assets (Note 10)	10,559	14,376
	10,559	14,376

Accumulated surplus \$ 67,857,980 \$ 75,803,741

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

	2017 Budget	2017 Actual	2016 Actual
	(Note 13)		
REVENUES			
Provincial grant (Note 12)	\$ 20,988,300	\$ 15,942,030	\$ 30,273,508
Recovery in value of student loan receivable	1,573,000	-	3,753,587
Interest	50,000	115,799	72,587
Student loan interest	-	202,725	218,982
Other	100,000	12,836	9,789
	22,711,300	16,273,390	34,328,453
EXPENSES (Note 14)			
Portfolio management	22,683,265	23,586,911	24,099,568
Repayment services	637,960	384,817	476,153
General administration	450,675	247,423	414,241
	23,771,900	24,219,151	24,989,962
Annual surplus (deficit)	(1,060,600)	(7,945,761)	9,338,491
Accumulated surplus, beginning of year	75,803,741	75,803,741	66,465,250
Accumulated surplus, end of year	\$ 74,743,141	\$ 67,857,980	\$ 75,803,741

*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

	2017 Budget	2017 Actual	2016 Actual
	(Note 13)		
Annual surplus (deficit)	\$ (1,060,600)	\$ (7,945,761)	\$ 9,338,491
Amortization of tangible capital assets	10,000	3,817	4,834
Increase (decrease) in net financial assets	(1,050,600)	(7,941,944)	9,343,325
Net financial assets, beginning of year	75,789,365	75,789,365	66,446,040
Net financial assets, end of year	\$ 74,738,765	\$ 67,847,421	\$ 75,789,365

*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

2017

2016

Operating transactions

Annual surplus (deficit)	\$ (7,945,761)	\$ 9,338,491
Adjustments for non-cash items		
Amortization	3,817	4,834
Recovery in value of student loan receivable	-	(3,753,587)
Bad debt expense	6,649,069	-

(1,292,875) 5,589,738

Changes in non-cash operating items

Due from government	143,770	2,823,796
Accounts payable and accrued liabilities	5,422	(30,678)
Employee future benefits	(170,619)	(124,269)
Due to government	(4,685)	41,322

Cash provided from (applied to) operating transactions (1,318,987) 8,299,909

Financing transactions

Repayment of long-term debt (1,804,000) (20,000,000)

Cash applied to financing transactions (1,804,000) (20,000,000)

Investing transactions

Net decrease in student loans receivable (Note 5) 6,169,067 17,941,411
Student loans written off to allowance (177,539) (1,314,772)

Cash provided from investing transactions 5,991,528 16,626,639

Increase in cash 2,868,541 4,926,548

Cash, beginning of year 9,378,347 4,451,799

Cash, end of year \$ 12,246,888 \$ 9,378,347

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

STUDENT LOAN CORPORATION OF NEWFOUNDLAND AND LABRADOR
NOTES TO FINANCIAL STATEMENTS
March 31, 2017

1. Nature of operations

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

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

2. Summary of significant accounting policies

(a) Basis of accounting

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

(b) Financial instruments

The Corporation's financial instruments recognized on the statement of financial position consist of cash, due from government, student loans receivable, 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 5. 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 9.

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.

STUDENT LOAN CORPORATION OF NEWFOUNDLAND AND LABRADOR
NOTES TO FINANCIAL STATEMENTS
March 31, 2017

2. Summary of significant accounting policies (cont.)

(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 Provident¹⁰ from which pensions will be paid to employees when they retire. This plan is a multi-employer, defined benefit plan, providing a pension on retirement based on the member's age at retirement, length of service and the average of their best six years of earnings for service on or after January 1, 2015, and, for service before January 1, 2015, the higher of the average of the frozen best 5 years of earnings up to January 1, 2015, or the average of the best 6 years of earnings for all service.

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

(e) Student loans receivable

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

STUDENT LOAN CORPORATION OF NEWFOUNDLAND AND LABRADOR
NOTES TO FINANCIAL STATEMENTS
March 31, 2017

2. Summary of significant accounting policies (cont.)

(f) Tangible capital assets

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

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

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

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

(g) Revenues

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

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

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

STUDENT LOAN CORPORATION OF NEWFOUNDLAND AND LABRADOR
NOTES TO FINANCIAL STATEMENTS
March 31, 2017

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

(i) Measurement uncertainty

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

There are several new standards issued by the PSAB that are not yet effective and have not been applied in these financial statements. These standards and corresponding effective dates are as follows:

Effective April 1, 2017:

PS 2200 Related Party Disclosures – a new standard defining related parties and establishing disclosure requirements for related party transactions.

PS 3210 Assets – a new standard providing guidance for applying the definition of assets and establishing general disclosure requirements for assets but does not provide guidance for the recognition and disclosure of specific types of assets.

PS 3320 Contingent Assets – a new standard defining and establishing disclosure requirements for contingent assets but does not include disclosure standards for specific types of contingent assets.

PS 3380 Contractual Rights – a new standard defining and establishing disclosure requirements for contractual rights but does not include disclosure standards for specific types of contractual rights.

STUDENT LOAN CORPORATION OF NEWFOUNDLAND AND LABRADOR
NOTES TO FINANCIAL STATEMENTS
March 31, 2017

3. Accounting pronouncements (cont.)

PS 3420 Inter-entity Transactions – a new standard on how to account for and report transactions between public sector entities that comprise a government's reporting entity from both a provider and recipient perspective.

Effective April 1, 2018:

PS 3430 Restructuring Transactions – a new standard on how to account for and report restructuring transactions by both transferors and recipients of assets and/or liabilities.

The Corporation plans to adopt these standards by the effective dates and is currently analyzing the impact these standards will have on the financial statements.

4. Due from government

	<u>2017</u>	<u>2016</u>
Federal government	\$ 60,986	\$ 217,716
Provincial government	100,555	87,595
	<u>\$ 161,541</u>	<u>\$ 305,311</u>

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

5. Student loans receivable

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

As at March 31, 2017, approximately 12,181 loans totaling \$31,540,625 (2016 - 13,734 loans totaling \$37,877,672) were being repaid as non-interest bearing for the period April 1, 2016 to March 31, 2017 (Class B loans) while 6,549 loans totaling \$15,091,199 (2016 - 4,442 loans totaling \$13,664,648) 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, 2017, approximately 8,786 loans totaling \$40,388,738 (2016 - 9,122 loans totaling \$41,691,175) 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, 2016 to March 31, 2017.

STUDENT LOAN CORPORATION OF NEWFOUNDLAND AND LABRADOR
NOTES TO FINANCIAL STATEMENTS
March 31, 2017

5. Student loans receivable (cont.)

Student loans receivable consist of the following:

	<u>2017</u>	<u>2016</u>
Loans receivable		
Class A principal	\$ 15,091,199	\$ 13,664,648
Class B principal	31,540,625	37,877,672
Loans defaulted	40,388,738	41,691,175
Interest receivable	1,590,582	1,546,716
	88,611,144	94,780,211
<u>Less: allowance for doubtful accounts</u>	<u>(32,725,262)</u>	<u>(26,253,732)</u>
	\$ 55,885,882	\$ 68,526,479

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.

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

	<u>2017</u>	<u>2016</u>
Student loan interest	\$ 202,725	\$ 218,982
Interest relief - repayment assistance	(628,538)	(569,769)
Student loan grants	(1,192,080)	(2,625,349)
Student loans disbursed	7,583,750	1,528,961
Student loan payments	(11,957,385)	(15,179,464)
Student loans written off to allowance	(177,539)	(1,314,772)
	\$ (6,169,067)	\$ (17,941,411)

6. Accounts payable and accrued liabilities

	<u>2017</u>	<u>2016</u>
Trade payables and accrued liabilities	\$ 93,852	\$ 82,147
Salaries and benefits payable	24,005	21,941
Accrued vacation pay	76,078	84,425
	\$ 193,935	\$ 188,513

STUDENT LOAN CORPORATION OF NEWFOUNDLAND AND LABRADOR
NOTES TO FINANCIAL STATEMENTS
March 31, 2017

7. Employee future benefits

	<u>2017</u>	<u>2016</u>
Vested severance benefits	\$ 136,256	\$ 165,639
Provision for non-vested severance benefits	40,621	32,965
Provision for accumulating, non-vesting, sick leave	19,116	168,008
	<u>\$ 195,993</u>	<u>\$ 366,612</u>

(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 Provident¹⁰, as administrator of the plan, from which pensions will be paid to employees when they retire. The plan provides a pension to employees upon retirement based on the member's age at retirement, their length of service and rates of pay. The maximum contribution rate for eligible employees was 11.85% (2016 - 11.85%). The Corporation's share of pension contributions and the total expense for 2017 was \$73,135 (2016 - \$75,286).

STUDENT LOAN CORPORATION OF NEWFOUNDLAND AND LABRADOR
NOTES TO FINANCIAL STATEMENTS
March 31, 2017

8. Due to government

	<u>2017</u>	<u>2016</u>
Federal government	\$ 32,751	\$ 28,864
Provincial government	24,211	32,783
	<u>\$ 56,962</u>	<u>\$ 61,647</u>

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.

9. Long-term debt

Long-term debt reported on the statement of financial position is comprised of the following:

	<u>2017</u>	<u>2016</u>
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	\$ -	\$ 1,804,000

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 was to mature on September 30, 2021, however the Corporation fully repaid the balance during the 2016-17 fiscal year. There was no penalty for early settlement.

STUDENT LOAN CORPORATION OF NEWFOUNDLAND AND LABRADOR
NOTES TO FINANCIAL STATEMENTS
March 31, 2017

10. Tangible capital assets

	Office equipment	Computer software	Computer hardware	Total
Cost				
Balance, March 31, 2016	\$ 38,955	\$ 145,359	\$ 22,404	\$ 206,718
Additions/Disposals	-	-	-	-
Balance, March 31, 2017	38,955	145,359	22,404	206,718
Accumulated amortization				
Balance, March 31, 2016	24,579	145,359	22,404	192,342
Amortization expense	3,817	-	-	3,817
Balance, March 31, 2017	28,396	145,359	22,404	196,159
Net book value, March 31, 2017	\$ 10,559	\$ -	\$ -	\$ 10,559
Net book value, March 31, 2016	\$ 14,376	\$ -	\$ -	\$ 14,376

11. 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.

STUDENT LOAN CORPORATION OF NEWFOUNDLAND AND LABRADOR
NOTES TO FINANCIAL STATEMENTS
March 31, 2017

11. 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 5. Any estimated impairment of student loans receivable has been provided for through an allowance for decline in value.

As at March 31, 2017, Class B loans in repayment amounted to \$31,540,625. A total balance of \$3,155,522 of these loans was overdue as follows:

Days Overdue					
1 - 30	31 - 60	61 - 90	91 - 270	>270	Total
\$19,881	\$912,454	\$253,437	\$950,465	\$1,019,285	\$3,155,522

As well, as at March 31, 2017, the balance of defaulted loans subject to collection procedures was \$40,388,738.

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 was exposed to interest rate risk related to its long-term debt. Long-term debt was at a floating rate determined by the 3-month Canadian Bankers' Acceptance rate less 10 basis points, maturing September 30, 2021. The Corporation is not exposed to significant interest rate risk on its student loans receivable as most are non-interest bearing loans.

STUDENT LOAN CORPORATION OF NEWFOUNDLAND AND LABRADOR
NOTES TO FINANCIAL STATEMENTS
March 31, 2017

12. Related party transactions

	<u>2017</u>	<u>2016</u>
Grants from the Province	\$ 15,942,030	\$ 30,273,508
	<u>\$ 15,942,030</u>	<u>\$ 30,273,508</u>

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. Expenses by object

	<u>2017</u> <u>Budget</u> (Note 13)	<u>2017</u> <u>Actual</u>	<u>2016</u> <u>Actual</u>
Administrative fees	\$ 595,000	\$ 471,977	\$ 664,644
Amortization	10,000	3,817	4,834
Bad debt expense	-	6,649,069	-
Bank charges	10,000	7,268	7,788
Grant-Provincial	21,227,200	15,691,929	22,591,736
Interest on long-term debt	5,000	3,598	120,393
Interest relief-repayment assistance	600,000	628,538	569,769
Operating	70,000	43,204	35,551
Salaries and benefits	1,254,700	719,751	995,247
Total	<u>\$ 23,771,900</u>	<u>\$ 24,219,151</u>	<u>\$ 24,989,962</u>

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