

STUDENT LOAN CORPORATION OF NEWFOUNDLAND AND LABRADOR

ANNUAL REPORT 2009-10

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CHAIRPERSON'S MESSAGE

June 30, 2010

Hon. Darin King
Department of Education
West Block, Confederation Building
P.O. Box 8700
St. John's, NL
A1B 4J6

Dear Minister:

In accordance with the *Transparency and Accountability Act*, please find enclosed the annual report of the Student Loan Corporation of Newfoundland and Labrador for the year ended March 31, 2010.

This is the second performance-based report to be presented under the corporation's business plan for 2008-2011. This document sets forth in clear language how the corporation has addressed the goals and objectives that were outlined in the plan.

Readers of this report should note that the corporation serves as government's banker with respect to the financing and collection of Newfoundland and Labrador student financial assistance. Loan eligibility is determined by the Department of Education's division of Student Financial Services. As such, issues related to the determination of eligibility are not included in this document. Readers are encouraged to consult the Department of Education's website <http://www.gov.nl.ca/edu/> for this type of information.

By way of this letter, signed on behalf of the Board of Directors of the corporation, I am indicating the Board's accountability for the actual results reported herein.

Sincerely,



Darrin Pike
Chairperson

1.0 OVERVIEW

The Student Loan Corporation of Newfoundland and Labrador was established on March 30, 2004 pursuant to the *Student Financial Assistance Act* and is a category two government entity in accordance with the *Transparency and Accountability Act*. The corporation is responsible for financial administration of the Newfoundland and Labrador student financial assistance program.

The affairs of the corporation are managed by a Board of Directors responsible to the Minister of Education. The Board of Directors as of March 31, 2010 included:

- Deputy Minister of Education, who is chair, Mr. Darrin Pike;
- Deputy Minister of Finance, Mr. Terry Paddon;
- Comptroller General, Mr. Ron Williams;
- Assistant Deputy Minister of Education, Advanced Studies, (vacant); and
- Assistant Deputy Minister of Education, Corporate Services, Ms. Ramona Cole.

On March 31, 2010, the corporation employed 28 individuals as indicated in the table below. These staff members are also included within the advanced studies branch of the Department of Education.

Table 1: Student Loan Corporation Staff:

Staff	Female	Male	Total
Management	1	1	2
Professional	9	7	16
Clerical	10	0	10
Total	20	8	28
Percentage	71%	29%	100%

The corporation's offices are located at:

Confederation Building, 4th Floor, West Block
P.O. Box 8700, St. John's, NL A1B 4J6
Phone: 729-6465 (local) or 1-877-520-8800
Fax: 729-2091, email: slcnl@gov.nl.ca
<http://www.gov.nl.ca/edu/postsecondary/slc/index.html>

1.1 MANDATE

The corporation was established to provide and facilitate repayment of loans, manage the debt and investment portfolio, and provide financial administration for the Newfoundland and Labrador student financial assistance program as set out in section 14 of the *Student Financial Assistance Act*.

1.2 VISION

The vision of the Student Loan Corporation is students with access to the best possible services with respect to accessing financial assistance while attending a post-secondary institution and subsequent services to assist during repayment.

1.3 MISSION

In keeping with the vision and the Minister's strategic direction respecting improved post-secondary programs, the corporation is committed to providing economically viable services to students in the area of student financing. This will ensure a sound economic basis on which to support future students in their post-secondary activities and in the achievement of further provincial economic success. Hence:

By 2011, the corporation will have improved services to student borrowers in repayment through improved communications and improved information provided to government through better reporting.

Measure One: Improved services to student borrowers
Indicators: Improved website
Made online forms available
Conducted a client survey
Enhanced provision of grants to eligible Memorial University students

Measure Two: Improved information to government
Indicators: Implemented portfolio reporting system
Improved forecasting
Developed client profiles

1.4 LINES OF BUSINESS

The corporation provides financial administration for the Newfoundland and Labrador student financial assistance program. Its lines of business include:

1. Portfolio Management:

The corporation acts as the province's banker in providing student loans, and in the administration and oversight of financial activities for the program. The corporation has partnered with the federal government through an integration agreement in the administration of this direct lending program. In completing these activities, the corporation oversees the work of its service provider which operates the National Student Loan Service Centre (NSLSC) in loan administration. In addition, the corporation oversees the work of its other service provider, the Canada Revenue Agency (CRA) which provides collection services under the integrated collections agreement.

2. Debt and Investment Services:

The corporation manages all debt-related activities pertaining to the purchase of the loans program in 2004, and short-term investments of the corporation's cash flows each year.

3. Repayment Services:

The corporation provides all repayment services for the province's existing defaulted loans and for the corporation's loans which defaulted prior to February 1, 2007. These activities begin at the corporation's offices once a loan is transferred for repayment after it has been 270 days in arrears at the NSLSC. Post February 1, 2007, defaulted loans are returned to the CRA for collection and the corporation continues to monitor all activities on these loans.

2.0 SHARED COMMITMENTS

During 2009-10, the corporation, in collaboration with its partners, worked towards achieving the objectives, and their associated measures and indicators, in the areas of its two issues: Improved Services to Student Borrowers; and Improved Information to Government. This work also supported the strategic direction of government applicable to the corporation of “Improved post-secondary programs and public postsecondary institutions benefit students and the province.”

2.1 DEPARTMENT OF EDUCATION

The corporation is responsible to the Minister of Education and operates under the *Student Financial Assistance Act* and Student Financial Assistance regulations. The student financial assistance program also operates under this legislative framework. The corporation works closely with the Student Financial Services division to ensure financial administration mirrors program delivery. The corporation also works with the finance division of the Department of Education in the management of the department’s defaulted loans portfolio. These loans are not owned by the corporation but by government (i.e., guaranteed and certain risk-shared defaulted loans purchased from Canadian Imperial Bank of Commerce). When government makes student financial assistance program decisions, the financial management activities of the corporation are affected.

2.2 FEDERAL GOVERNMENT

The corporation partners with the federal department of Human Resources and Skills Development Canada (HRSDC) via the Canada-Newfoundland and Labrador Integration Agreement. One aim of this agreement is to ensure administrative integration of the federal and provincial student loan programs, which simplifies the administration of loans, particularly in the repayment process. The corporation has worked with HRSDC to promote and enhance measures to further this initiative.

The National Student Loan Service Centre (NSLSC) administers the loan process for both governments. Resolve Corporation operates the NSLSC and provides loan administration from disbursement to repayment; a one-stop approach to loan management. The corporation works closely with the NSLSC to provide advice, direction, inquiry and issue resolution to Newfoundland and Labrador students as they repay their student loans.

The corporation also partners with the federal departments of HRSDC, Service Canada and the CRA to operate an integrated defaulted collections program. Administration of the collections process for provincial loans defaulting after February 1, 2007 is completed by CRA along with collections on defaulted federal loans. This agreement is designed to improve service to students who are experiencing difficulty repaying their student loans. Students are now contacted by the CRA, and have one repayment plan for both their federal and provincial defaulted student loans.

The corporation continues to participate in the income tax interception set-off program with the CRA. Under this program, certain tax refunds are intercepted to repay defaulted student loans.

3.0 OUTPUTS

In consideration of the minister's strategic direction to improve post-secondary programs and public post-secondary institutions, as well as the mandate and financial resources of the corporation, the following areas were identified as the key priorities in the 2008-11 business plan. The goal identified for each issue reflects the results expected, while the objectives provide an annual focus. Measures and indicators are provided for the goal and objectives to assist both the corporation and the public in monitoring and evaluating success. Work completed by the corporation during the 2009-10 fiscal year contributed to the strategic direction of "improved post-secondary programs and public post-secondary institutions benefit students and the province" under the category of student financial assistance, as communicated by government to the Minister of Education.

The corporation's annual report outlines its progress in achieving the goals and objectives of the 2008-11 business plan.

3.1 ISSUE ONE: IMPROVED SERVICES TO STUDENT BORROWERS

Goal: By March 31, 2011 the corporation will have improved its services to assist students with loan repayment issues.

The corporation believes that with enhanced and increased communications, students in repayment will become more knowledgeable about their loan and better prepared to manage their debt. Furthermore, the disbursement of loan and grant funding should be as efficient and client friendly as possible.

Objective for 2009-10:

By March 31, 2010 the corporation will provide forms that can be completed online by clients.

Measure: Corporation forms available for online completion

The following details the corporation's work in improving services to student borrowers during 2009-10. Although the corporation was unable to complete the indicator and objective above, other online enhancements were made and work in these areas will continue into 2010-11.

Indicators:

Clients able to complete forms online and submit for assessment:

The corporation will work with the Office of the Chief Information Officer to determine the future feasibility of resourcing this initiative. However, in 2009-10 resources were not allocated and online forms were not developed for client use.

Students do have the ability to email or fax completed forms directly to the corporation which improves response time and efficiency in processing. As well, online student financial assistance information is available to assist students as they navigate the loan program.

Further online enhancements were moved forward in 2009-10. The corporation was extensively involved with increasing online payment processing options via government's Centralized Web Receipting (CWR) initiative. This initiative will allow students with defaulted student loans to make online payments with their VISA or Debit cards. The project is expected to go-live in summer 2010.

2010-11 Objectives

By March 31, 2011 the corporation will have developed and delivered a client survey to explore client concerns with respect to repayment.

Measure: Survey developed and delivered.

Indicator: Survey developed and delivered.

Identified client concerns with respect to repayment services provided by the corporation.

3.2 ISSUE TWO: IMPROVED INFORMATION TO GOVERNMENT

Goal: By March 31, 2011 the corporation will have improved reporting to assist government in its decision-making process.

The corporation believes that improved portfolio performance reporting will provide better information to government for decision making.

Objectives for 2009-10:

By March 31, 2010 the corporation will have completed a review to improve the forecasting of performance measures such as repayment rates.

Measure: Completed review of forecast performance measures

The following details the corporation's successful achievement of each of the initiatives for 2009-10.

Indicators:

Reports available for review by corporation management:

During 2009-10, the corporation recruited a dedicated resource to implement statistical reporting for the Board of Directors. The Board now receives enhanced statistics related to the provincial portfolio and can use this information for improved financial management decision making.

2010-11 Objectives

By March 31, 2011 the corporation will have developed a profile of clients with repayment difficulties.

Measure: Client profile developed.

Indicator: Identified clients with repayment difficulties.

4.0 SNAPSHOT AND HIGHLIGHTS FOR THE YEAR ENDED MARCH 31, 2010

Table 2: Student Loan Corporation Portfolio:

Portfolio	31-Mar-09				31-Mar-10			
	Number of Loans (rounded)	Principal	Interest and Fees	Total Value (\$ in millions)	Number of Loans (rounded)	Principal	Interest and Fees	Total Value (\$ in millions)
Current								
Class A (In School & In Grace)	9,400	\$47.6	\$0.0	\$47.6	9,100	\$37.7	\$0.0	\$37.7
Class B (In Repayment)	20,500	\$110.5	\$0.3	\$110.8	20,700	\$97.0	\$0.1	\$97.1
Subtotal	29,900	\$158.1	\$0.3	\$158.4	29,800	\$134.7	\$0.1	\$134.8
Default								
Department of Education ¹	3,800	\$25.4	\$7.7	\$33.1	3,700	\$25.0	\$6.0	\$31.0
Corporation	5,500	\$34.0	\$6.2	\$40.2	5,300	\$32.0	\$5.4	\$37.4
CRA	2,500	\$16.2	\$1.3	\$17.5	3,400	\$20.4	\$1.0	\$21.4
Subtotal	11,800	\$75.6	\$15.2	\$90.8	12,400	\$77.4	\$12.4	\$89.8
Total	41,700	\$233.7	\$15.5	\$249.2	42,200	\$212.1	\$12.5	\$224.6

Note 1 – *Unaudited*.

During the year, approximately:

- \$13.2 million in new loans were disbursed to students; this is \$2.1 million (14%) less than disbursed in 2008-09;
- 14,600 new loan certificates were issued to both returning and new students pursuing a post-secondary education; this is 600 (4%) fewer than issued in 2008-09;
- \$26.3 million was received from students who are in repayment (\$2.2 million - interest; \$24.1 million - principal); an additional \$2.3 million (\$0.9 million - interest; \$1.4 million - principal) (*unaudited*) was received by the Department of Education;
- \$1.4 million was accrued in interest for the year (\$1.0 million - current portfolio; \$0.4 million - default portfolio). A total of \$0.3 million (*unaudited*) was accrued in interest on the Department of Education's default portfolio;
- \$22.2 million in provincial and federal grant payments were issued to students to assist with reducing their student loans (\$5.5 million in provincial debt reduction grant payments, \$11.4 million in provincial up-front grant payments, and \$5.3 million in federal grant payments); an additional \$0.4 million in grants were paid directly to students whose provincial loans were paid in full;
- \$0.8 million was paid by the corporation for administrative fees (\$0.7 million to HRSDC to support the service provider contract, and \$0.1 million to CRA in administrative fees as per the integrated collections agreement);
- \$0.1 million was earned by the corporation in interest revenue on bank balances which existed during the year, and \$0.1 million was earned on short-term investments;
- \$0.8 million was paid by the corporation in interest payments on its outstanding debt which totaled \$156.0 million at year end; during the year, interest was paid at rates ranging from 0.41% to 0.62%;

- \$5.5 million in default collections was received for 2009-10 (\$3.2 million - corporation; \$2.3 million *(unaudited)* - Department of Education), a decrease of 13% from the approximately \$6.3 million collected by the corporation in 2008-09. Of this amount, almost \$2.8 million was attributable to CRA set-off, while the remaining \$2.7 million was collected under the corporation's internal collection process;
- Average monthly default payments received from online/telephone banking decreased 18% from \$157,000 per month in 2008-09 to \$129,000 per month for a total of \$1.5 million during 2009-10; and
- Average monthly default payments received from pre-authorized debit method of payment increased 4% from \$16,100 per month in 2008-09 to \$16,700 per month in 2009-10, for a total of \$200,400 during 2009-10.

HIGHLIGHTS

- A total of \$11.4 million in up-front grants were disbursed in 2009-10, the second full year of the implementation of the up-front grants program; this represents a \$1.5 million (15%) increase from 2008-09 with Government's Budget 2009 decision to increase the weekly up-front grant by \$10 contributing to this increase.
- The number of loans outstanding for the whole portfolio increased by 500 (1%) while the value of the portfolio decreased by \$24.6 million (10%). Since March 31, 2007, the number of loans outstanding for the portfolio has remained relatively stable while the value of the portfolio has decreased by \$54.8 million (20%). This reflects the impact of debt reduction measures taken by Government to reduce student debt, overall decreases in the number of students borrowing, as well as continued improvement in repayment by students.
- Average levels of student debt have started to decline. For the average MUN undergraduate borrower, accumulated debt declined 2.7% in 2008-09 from \$26,582 to \$25,874. Decreases have also been seen in the Marine Institute, College of the North Atlantic and private college programs. More declines are expected in the next few years with the implementation of the debt reduction program from Budget 2007 and more recently, with the full impact of Budget 2009.

Table 3: Net Student Debt by Institution 2003-04 to 2008-09 (federal and provincial debt)

		2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	%Change 2007-08 to 2008-09
CNA	1 Year	\$9,995	\$10,445	\$10,594	\$9,840	\$9,336	\$8,975	-3.9%
	2 Year	\$15,854	\$17,589	\$16,399	\$16,632	\$16,762	\$15,440	-7.9%
	3 Year	\$20,991	\$26,022	\$21,959	\$21,896	\$22,241	\$22,512	1.2%
Private College	1 Year	\$11,399	\$11,048	\$12,179	\$11,792	\$9,962	\$9,706	-2.6%
	2 Year	\$20,635	\$22,324	\$22,340	\$22,365	\$21,067	\$19,897	-5.6%
MUN	Undergraduate	\$26,592	\$31,218	\$26,299	\$27,114	\$26,582	\$25,874	-2.7%
	Marine	\$23,074	\$20,840	\$21,752	\$21,068	\$20,380	\$16,850	-17.3%

Source: Department of Education, 2009

5.0 OPPORTUNITIES AND CHALLENGES AHEAD

5.1 OPPORTUNITIES

The corporation has a number of opportunities available to improve financial administration of the program. These include:

- Testing has begun with government's Office of the Chief Information Officer on a central web receipting application which will allow students to pay online through a government web page, using their debit/credit card. This form of payment is expected to be available during fiscal 2010-11.
- The corporation is now fully staffed and can now move forward with improving internal efficiencies and processing of data. This will provide better information for government to assist in making program decisions that improve accessibility and affordability for Newfoundland and Labrador students.
- The corporation continues to explore opportunities to further streamline and simplify the student loan application and assessment processes in collaboration with Student Financial Services division, other provincial/territorial jurisdictions and the federal government.
- The corporation continued with its implementation of the TRIM image documenting system. Incoming client correspondence is now sorted and catalogued in TRIM, increasing processing time and improving internal efficiencies by allowing staff to focus on client service rather than administrative functions such as filing documents.

5.2 CHALLENGES

As the corporation works toward achieving the objectives and goals for 2010-11, some challenges include:

- Finding ways to better communicate with students to ensure they are aware of all resources available to them to help them succeed and become student debt-free earlier in their lives.
- Further implementation of new systems, policies, procedures, and structures to support the work of the corporation in achieving its mandate.
- The corporation is continuing work with the Department of Education, Student Financial Services Division and Canada Student Loans Program to develop tools which help student borrowers learn how to manage their debt and improve their financial literacy.

6.0 CONCLUSION

Significant progress has been made in fiscal 2009-10 as outlined in this annual report. These accomplishments could not have been achieved without the dedication and hard work of the management and staff of the corporation.

This annual report outlines the progress made in the second year of the business plan for 2008-11. In focusing its efforts on improving services to student borrowers and providing better information to government, the corporation continues to support the student loan program.

The provincial government has demonstrated a strong commitment to students through Budget 2009 with the elimination of interest and an increase in up-front non-repayable grants. These changes will become more evident in 2010-11, the first full year of implementation. Through collaboration with students, the Government of Newfoundland and Labrador has developed the best student aid package in the country and has taken solid steps to reduce student debt.

There are many challenges and opportunities that lie ahead and much work to complete in the upcoming year. This will require the support and co-operation of all stakeholders to improve services to the corporation's primary clients – students and government.

Copies of this document, as well as other corporation publications are available on the corporation's website: <http://www.gov.nl.ca/edu/postsecondary/slc/index.html>

7.0 FINANCIAL STATEMENTS

The audited financial statements show total revenues of \$23.4 million and total expenditures of \$25.5 million.

During the year, the corporation experienced a \$0.8 million decrease in the use of the interest relief program, following a decrease of \$0.9 million in this program last year. The corporation recognized a decrease of \$2.4 million in loan repayments from the prior year as well as a \$4.6 million decrease in expenses due to lower interest rates on long term debt.

The corporation issued \$11.4 million in up-front needs-based grants and reported a decrease of \$6.1 million in interest revenue, mostly the result of the elimination of interest on student loans effective August 1, 2009.

Overall, the corporation experienced an accrual deficit of \$2.1 million as reflected on the Statement of Revenues, Expenses and Surplus, which is an improvement of \$2.5 million over the \$4.6 million deficit reflected in 2008-09. This decrease can be attributed mainly to reduced interest expense on long term debt. As with the prior year, the corporation was able to use existing cash reserves to fund operations in 2009-10 with no negative impact on services to students.

The corporation's cash position at year end, as reflected on its Statement of Cash Flows, was \$26.5 million in cash which represents a \$3.5 million increase in cash and cash equivalents over 2008-09.

**STUDENT LOAN CORPORATION OF
NEWFOUNDLAND AND LABRADOR**

FINANCIAL STATEMENTS

31 MARCH 2010



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

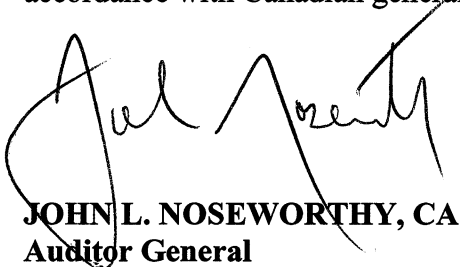
AUDITOR'S REPORT

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

I have audited the balance sheet of the Student Loan Corporation of Newfoundland and Labrador as at 31 March 2010 and the statements of revenues, expenses and surplus, and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at 31 March 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



JOHN L. NOSEWORTHY, CA
Auditor General

St. John's, Newfoundland and Labrador
11 June 2010

STUDENT LOAN CORPORATION OF NEWFOUNDLAND AND LABRADOR**BALANCE SHEET**

31 March

2010

2009

ASSETS


Cash	\$ 26,480,685	\$ 12,817,794
Short-term investments, at cost (Note 2)	-	10,144,027
Interest receivable on investments	-	139,623
Accounts receivable	529,185	427,245
Prepaid expense	2,862	3,112
Student loans receivable (Note 3)	144,288,901	163,845,279
	171,301,633	187,377,080
Capital assets (Note 4)	113,163	145,623
	\$ 171,414,796	\$ 187,522,703

LIABILITIES AND SURPLUS

Accounts payable and accrued liabilities	\$ 413,655	\$ 411,520
Accrued vacation pay	70,730	89,391
Current portion - long-term debt (Note 5)	14,000,000	14,000,000
Current portion - obligation under capital lease (Note 6)	2,898	4,348
	14,487,283	14,505,259
Long-term debt (Note 5)	142,000,000	156,000,000
Accrued severance pay	74,115	65,464
Obligation under capital lease (Note 6)	-	2,898
	156,561,398	170,573,621
Surplus	14,853,398	16,949,082
	\$ 171,414,796	\$ 187,522,703

See accompanying notes

Signed on behalf of the Board:


Chairperson
Director

STUDENT LOAN CORPORATION OF NEWFOUNDLAND AND LABRADOR
STATEMENT OF REVENUES, EXPENSES AND SURPLUS

For the year ended 31 March

2010

2009

REVENUES

Provincial grant revenue	\$ 13,574,691	\$ 13,259,196
Federal grant revenue	5,312,941	4,350,637
Recovery in value of student loan receivable	2,842,223	423,060
Student loan interest	1,404,770	7,518,169
Interest revenue	253,600	766,051
Other revenue	11,708	18,782

23,399,933

26,335,895

EXPENSES

Administrative fees	753,783	928,022
Amortization	32,460	30,268
Bank charges	14,190	17,507
Grant expense – Federal	5,312,941	4,350,637
Grant expense – Provincial	16,926,182	17,718,954
Interest expense on long-term debt	768,934	5,410,913
Interest relief expense	178,931	1,024,657
Operating expenses	141,952	102,751
Salaries	1,366,244	1,348,934

25,495,617

30,932,643

Excess of expenses over revenues (2,095,684) (4,596,748)

Surplus, beginning of year 16,949,082 21,545,830

Surplus, end of year \$ 14,853,398 \$ 16,949,082

See accompanying notes

STUDENT LOAN CORPORATION OF NEWFOUNDLAND AND LABRADOR**STATEMENT OF CASH FLOWS**

For the year ended 31 March

2010

2009

Cash flows from operating activities

Excess of expenses over revenues	\$ (2,095,684)	\$ (4,596,748)
Add (deduct) non-cash items		
Amortization	32,460	30,268
Recovery in value of student loan receivable	(2,842,223)	(423,060)
	(4,905,447)	(4,989,540)
Changes in non-cash operating items		
Interest receivable on investments	139,623	19,672
Accounts receivable	(101,940)	(93,750)
Prepaid expense	250	2,598
Student loans receivable (Note 3)	22,487,137	19,197,337
Student loans written off to allowance	(88,536)	(353,934)
Accounts payable and accrued liabilities	2,135	140,105
Accrued vacation pay	(18,661)	6,970
	17,514,561	13,929,458
Accrued severance pay	8,651	32,773
	17,523,212	13,962,231

Cash flows from investing activities

Purchase of capital assets	-	(43,999)
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Cash flows from financing activities

Repayment of long-term debt	(14,000,000)	(14,000,000)
Repayment of capital lease obligation	(4,348)	(4,348)
	(14,004,348)	(14,004,348)

Net increase (decrease) in cash and cash equivalents 3,518,864 (86,116)

Cash and cash equivalents, beginning of year 22,961,821 23,047,937

Cash and cash equivalents, end of year \$ 26,480,685 \$ 22,961,821

Cash and cash equivalents include:

Cash	\$ 26,480,685	\$ 12,817,794
Short-term investments	-	10,144,027
	\$ 26,480,685	\$ 22,961,821

See accompanying notes

STUDENT LOAN CORPORATION OF NEWFOUNDLAND AND LABRADOR
NOTES TO FINANCIAL STATEMENTS
31 MARCH 2010

Authority

The Student Loan Corporation of Newfoundland and Labrador was established on 30 March 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.

1. Significant accounting policies

These financial statements have been prepared by the Board's management in accordance with Canadian generally accepted accounting principles. Outlined below are the significant accounting policies followed:

(a) Capital assets

All capital assets are recorded at cost at the time of acquisition. Amortization is calculated using the straight-line method based on the expected future life of all assets as follows:

Office equipment	10 years
Computer software	7 years
Computer hardware	4 years
Capital photocopier lease	5 years

(b) Severance pay

The calculation of severance pay is based on years of service and current salary levels. The entitlement to severance pay vests with employees after nine years of continuous service, and accordingly no provision has been made in the accounts for employees with less than nine years of continuous service. The amount is payable when the employee ceases employment with the Corporation. If the employee transfers to another entity included in the public service, then the liability is transferred with the employee to the other entity.

2. Short-term investments

The Corporation did not hold any short-term investments at 31 March 2010. Short-term investments at 31 March 2009 were valued at cost of \$10,144,027 which approximated market value.

STUDENT LOAN CORPORATION OF NEWFOUNDLAND AND LABRADOR
NOTES TO FINANCIAL STATEMENTS
31 MARCH 2010

3. Student loans receivable

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

As at 31 March 2010 approximately 20,645 loans totalling \$97,014,294 (2009 - 20,477 loans totalling \$110,515,241) were being repaid at an average interest rate of prime for the period 1 April 2009 to 31 July 2009, and are non-interest bearing for the period 1 August 2009 to 31 March 2010 (Class B loans) while 9,115 loans totalling \$37,707,863 (2009 - 9,444 loans totalling \$47,621,883) were not being repaid as the students were either still in attendance at an approved education institution or were within 6 months after the end of the study period (Class A loans).

As at 31 March 2010 approximately 8,694 loans totalling \$52,401,527 (2009 - 8,010 loans totalling \$50,186,870) were defaulted. These loans are defined as Class B loans delinquent for 270 days (nine months). The interest rate on these loans was prime for the period 1 April 2009 to 31 July 2009 and non-interest bearing for the period 1 August 2009 to 31 March 2010.

Student loans receivable consist of the following:

	<u>2010</u>	<u>2009</u>
Loans receivable		
Class B principal	\$ 97,014,294	\$ 110,515,241
Class A principal	37,707,863	47,621,883
Loans defaulted	52,401,527	50,186,870
Interest receivable	6,520,464	7,807,291
	193,644,148	216,131,285
Less: allowance for doubtful accounts	(49,355,247)	(52,286,006)
	\$ 144,288,901	\$ 163,845,279

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>2010</u>	<u>2009</u>
Student loan interest	\$ 1,404,770	\$ 7,518,169
Interest relief	(178,931)	(1,024,657)
Student loan grants	(10,486,042)	(11,863,476)
Student loans disbursed	13,197,200	15,287,427
Student loan payments	(26,335,598)	(28,760,866)
Student loan written off	(88,536)	(353,934)
	\$ (22,487,137)	\$ (19,197,337)

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4. Capital assets

	<u>2010</u>		<u>2009</u>	
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Office equipment	\$ 17,453	\$ 2,855	\$ 14,598	\$ 16,343
Computer software	145,359	60,598	84,761	105,527
Computer hardware	24,584	14,041	10,543	16,145
Capital photocopier lease	21,739	18,478	3,261	7,608
	<u>\$ 209,135</u>	<u>\$ 95,972</u>	<u>\$ 113,163</u>	<u>\$ 145,623</u>

5. Long-term debt

	<u>2010</u>	<u>2009</u>
Issue of floating rate notes dated 2 October 2006 maturing 30 September 2011 and bearing interest at the 3-month Canadian Bankers' Acceptance rate less 2 basis points, payable quarterly.	\$ 156,000,000	\$ 170,000,000
Less: current portion	<u>14,000,000</u>	<u>14,000,000</u>
	<u>\$ 142,000,000</u>	<u>\$ 156,000,000</u>

On 2 October 2006, the Corporation repaid \$206 million principal amount of floating rate notes by using available cash of \$8 million to reduce the principal balance to \$198 million, then arranging a new long-term borrowing to refinance this amount for a term of five years. A principal payment of \$14 million will be made on 30 September in each of the years to 2010, inclusive, with the balance of the debt maturing 30 September 2011. Interest is payable quarterly on 31 March, 30 June, 30 September, and 31 December each year.

Principal repayments on long-term debt for the next two years are as follows:

Year Ended 31 March

2011	\$ 14,000,000
2012	\$ 142,000,000

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6. Obligation under capital lease

The following is a schedule of future minimum lease payments under the capital lease expiring in December 2010.

Year Ended 31 March	<u>2010</u>	<u>2009</u>
2010	\$ -	\$ 4,348
2011	<u>2,898</u>	<u>2,898</u>
	<u>2,898</u>	7,246
Less: current portion	<u>2,898</u>	<u>4,348</u>
	<u>\$ -</u>	<u>\$ 2,898</u>

7. Related party transactions

The Province unconditionally guarantees the principal and interest outstanding on long-term debt of \$156,000,000.

8. Economic dependence

As a result of its reliance on the Government of Newfoundland and Labrador to address the future funding requirements of the student loans program, the Corporation's ability to continue is dependent upon the decisions of Government.

9. Financial instruments

The Corporation's short-term financial instruments recognized on the balance sheet consist of cash, accounts receivable, accounts payable and accrued liabilities, accrued vacation pay and current portion of long-term debt. The carrying values of these instruments approximate current fair value due to their nature and short-term maturity associated with them.

The Corporation's long-term financial instruments recognized on the balance sheet consist of student loans receivable, long-term debt and accrued severance pay. The student loans receivable are reported at cost with provision being made for any decline in their value. Therefore, no further credit risk exists relating to these loans. The Corporation's long-term debt is at a floating rate determined by the 3-month Canadian Bankers' Acceptance rate less 2 basis points, maturing in September 2011. This may subject the Corporation to interest rate risk caused by changes in the interest rate. The carrying values of these long-term financial instruments approximate their current fair value.

10. Income taxes

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.