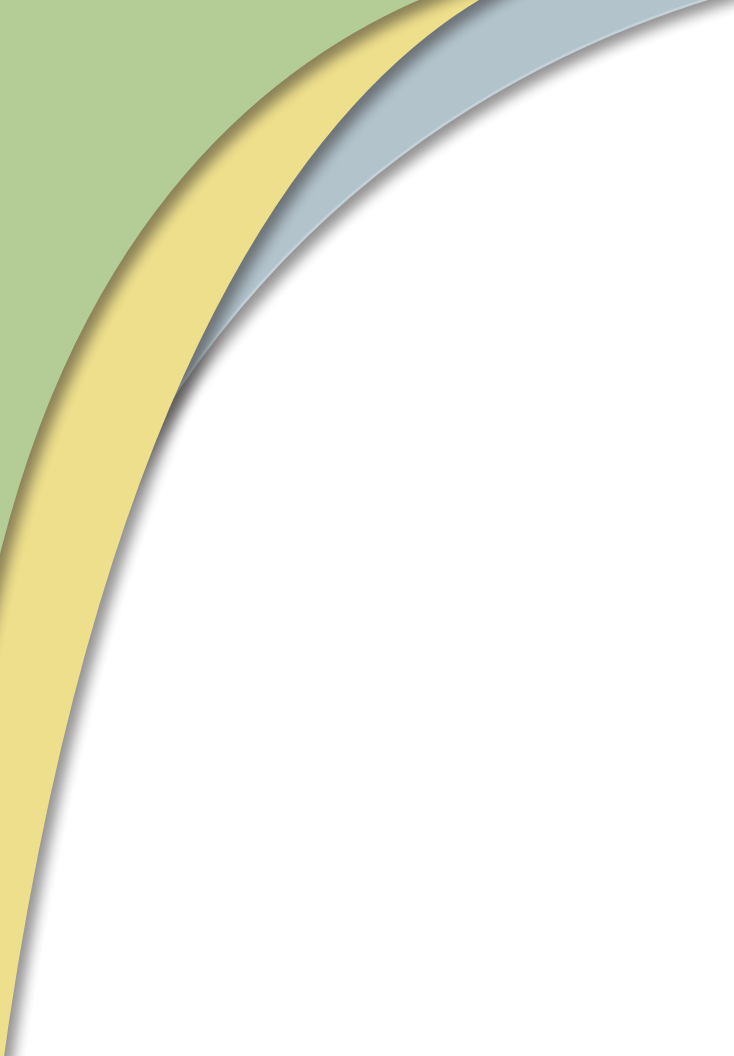




Student Loan Corporation of Newfoundland and Labrador

Annual Report 2014-15



August 31, 2015

Honourable Clyde Jackman
Minister
Department of Advanced Education and Skills
P. O. Box 8700
St. John's, NL
A1B 4J6

Dear Minister Jackman:

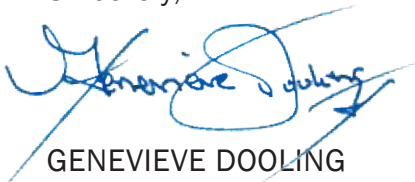
In accordance with the *Transparency and Accountability Act*, please find enclosed the annual report of the Student Loan Corporation of Newfoundland and Labrador for the year ending March 31, 2015.

This is the first performance-based report to be presented under the Corporation's business plan for 2014-2017. This document sets forth in clear language, how the Corporation has addressed the 2014-15 objective that was outlined in the plan.

The Student Loan Corporation acts as the provincial banker with respect to the disbursement and collection of Newfoundland and Labrador Student Financial Assistance. Eligibility for student financial assistance is determined by the Department of Advanced Education and Skills' Division of Student Financial Services. As such, issues related to the determination of eligibility are not included in this report. For information relating to the determination of financial eligibility, readers should refer to the Annual Report of the Department of Advanced Education and Skills.

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,



GENEVIEVE DOOLING
Chairperson

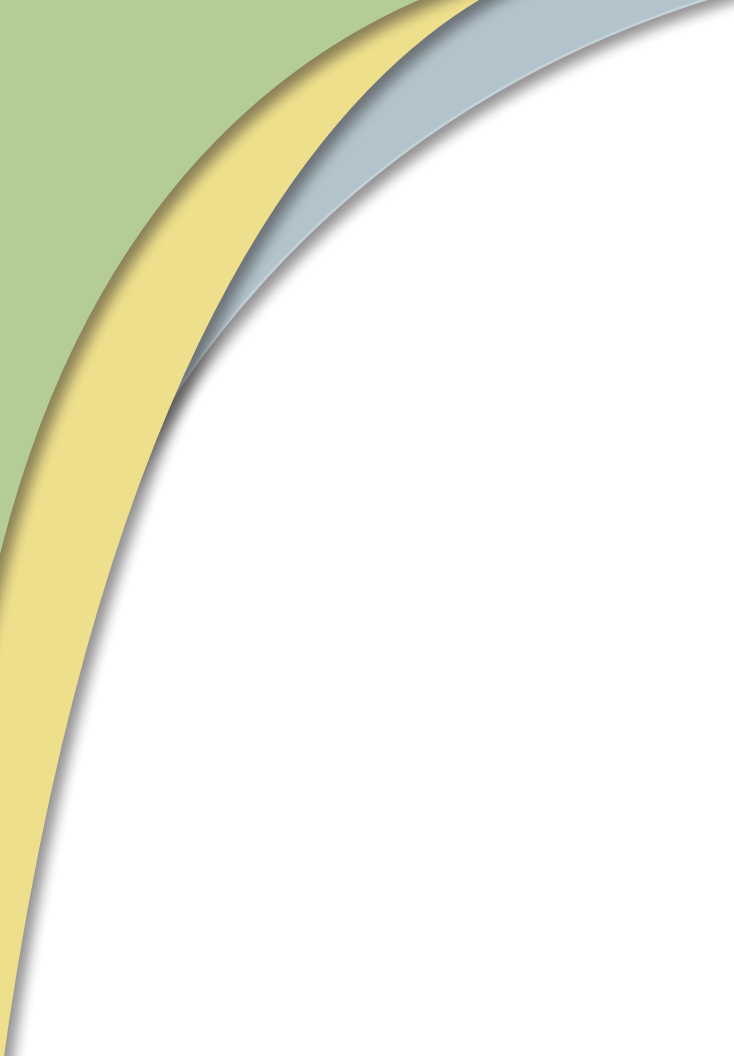
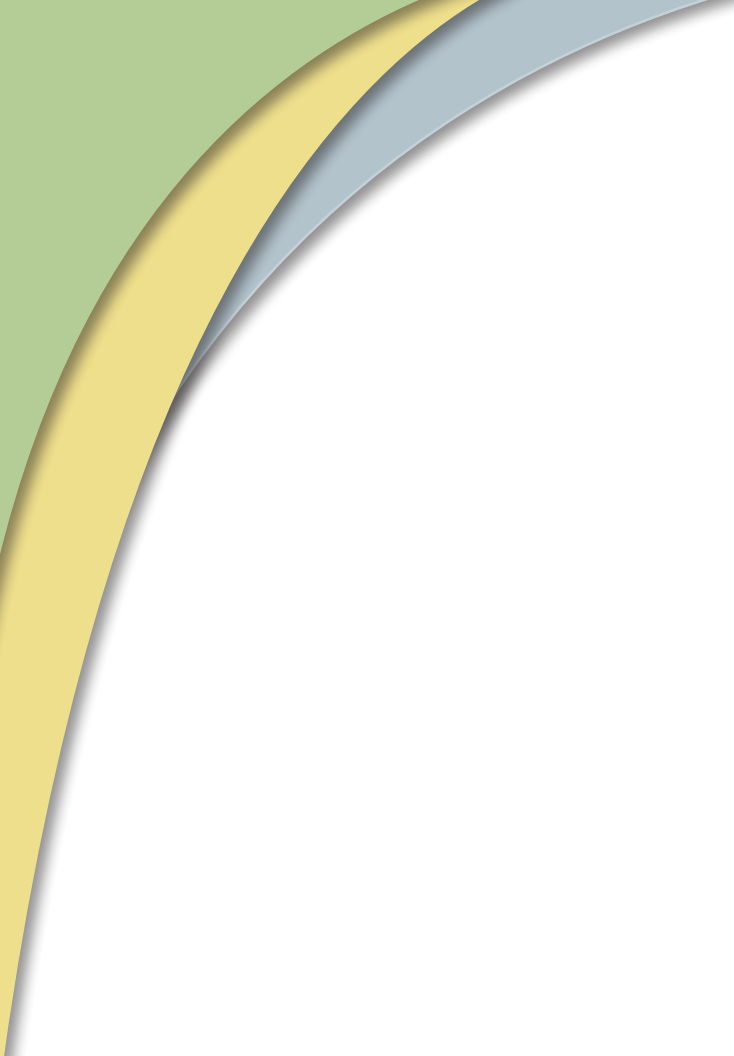


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1.0 Overview

The Student Loan Corporation of Newfoundland and Labrador (the Corporation) 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 the financial administration of the Newfoundland and Labrador Student Financial Assistance Program, which includes disbursement of student financial assistance and receipt of loan repayments. Readers should note that eligibility is determined by the Department of Advanced Education and Skills' Student Financial Services Division.

In 2007, the Corporation entered into an agreement with the Government of Canada for repayment services for loans issued after January 31, 2007, to be provided by the National Student Loans Service Centre and the Canada Revenue Agency. The Corporation continues to manage provincial student loan accounts in default status prior to February 1, 2007, and monitors repayment services undertaken by the Canada Revenue Agency on defaulted loans post February 1, 2007, as per the federal-provincial Integrated Collections Agreement.

The audited financial statements show total revenues of \$32.5 million and total expenditures of \$18.5 million.

The affairs of the Corporation are managed by a Board of Directors, who report to the Minister of Advanced Education and Skills (AES). The Board of Directors as of March 31, 2015, included:

Ms. Genevieve Dooling, Chair, Deputy Minister of AES;

Ms. Donna Brewer, Deputy Minister of Finance;

Ms. Ann Marie Miller, Comptroller General;

Mr. Bob Gardiner, Assistant Deputy Minister of AES, Post-Secondary Education, and

Mr. David Pike, Assistant Deputy Minister of AES, Corporate Services.

On March 31, 2015, the Corporation employed 16 individuals as per the following table on page 2. These staff members are also included as employees by the Department of Advanced Education and Skills under the Corporate Services Branch.

Table 1: Student Loan Corporation Staff			
Staff	Female	Male	Total
Management	0	3	3
Collections	4	1	5
Financial	2	2	4
Administrative	4	0	4
TOTAL	10	6	16

The Corporation's office is 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
E-mail: slcnl@gov.nl.ca
Website: www.aes.gov.nl.ca/postsecondary/slc/index.html

1.1 Mandate

The Corporation was established in 2004 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*, and includes disbursement of student financial assistance and receipt of loan repayments.

1.2 Vision

The vision of the Student Loan Corporation is of a well-managed debt and investment portfolio and student borrowers with access to the best possible repayment services.

1.3 Mission

By 2017, the Corporation will have enhanced services to student borrowers¹.

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 financial assistance, and in the administration and oversight of financial activities for the program. In completing these activities, the Corporation oversees the work of its service provider which operates the National Student Loan Service Centre in the day-to-day operations of loan administration. In addition, the Corporation has partnered with the Government of Canada through an Integration Agreement in the financial administration of this direct lending program.

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 annual cash flows.

3. Repayment Services:

A loan is transferred for further repayment activities after it has been 270 days in arrears at the National Student Loan Service Centre. The Corporation provides repayment services for corporation and provincial loans, which defaulted prior to February 1, 2007. The Corporation monitors repayment services undertaken by the Canada Revenue Agency on defaulted loans post February 1, 2007, as per the federal-provincial Integrated Collections Agreement.

¹ Please refer to the 2014-17 Student Loan Corporation of Newfoundland and Labrador Business Plan for the full Mission, including measures and indicators, located at www.aes.gov.nl.ca/publications/businessplans/Student_Loan_Corporation_2014-17_Business_Plan.pdf.

2.0 Shared Commitments

During 2014-15, the Corporation, in collaboration with its partners, worked towards achieving the objectives and their associated measures and indicators in the area of: Improved Portfolio Management.

2.1 Department of Advanced Education and Skills

The Corporation is responsible to the Minister of Advanced Education and Skills and it operates under the *Student Financial Assistance Act* and Regulations. The provincial student financial assistance program also operates under this legislative framework. The Corporation works closely with the department's Student Financial Services Division to ensure financial administration mirrors program delivery. The Corporation also works with the Finance Division in the management of the department's defaulted loans portfolio. These loans are owned by the Provincial Government and were issued to students prior to the existence of the Corporation (i.e., guaranteed and certain risk-shared defaulted loans purchased from Canadian Imperial Bank of Commerce). When the Provincial 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 Department of Employment and Social Development Canada (formerly the Department of Human Resources and Skills Development Canada) via the Canada-Newfoundland and Labrador Integration Agreement. A primary objective of this agreement is to simplify the administration of loans, particularly in the repayment process. The Corporation works with the Department of Employment and Social Development Canada to promote and enhance measures to further this initiative.

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

The Corporation also partners with other federal departments (Employment and Social Development Canada, Service Canada and Canada Revenue Agency) to operate an integrated defaulted collections program. Administration of the collections process for provincial loans defaulting after February 1, 2007, is completed by Canada Revenue Agency 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 Canada Revenue Agency, and have one repayment plan for both their federal and provincial defaulted student loans.

The Corporation continues to participate in the Canada Revenue Agency Refund Set-Off Program. Under this program, certain tax refunds are intercepted to repay defaulted student loans.

3.0 Report on Performance

In consideration of the Government of Newfoundland and Labrador's strategic direction, as well as the mandate and financial resources of the Corporation, the following issue was identified as a key priority in the 2014-17 business plan. Work completed by the Corporation during the 2014-15 fiscal year was in line with the strategic direction of "skilled educated and employed citizens", in particular the focus area of affordability and student access to post-secondary education.

The Corporation's annual report outlines its progress in achieving the 2014-15 objective of the 2014-17 business plan.

3.1 Issue One: Improved Portfolio Management

Goal: By March 31, 2017, the Corporation will have improved its portfolio management.

Objective for 2014-15: By March 31, 2015, the Corporation will have completed an assessment of portfolio management.

Measure: Completed an assessment of portfolio management.

Indicator: Completed an assessment report.

In 2014-15, the Corporation completed an assessment report of its loans portfolio. This report includes an overview of the Corporation and analysis of portfolio management, debt and investment services, and repayment services.

The assessment report notes that:

- the portfolio management line of business, which provides student financial assistance to facilitate student attendance in post-secondary, must maintain its effective and efficient administration of services;
- the debt and investment services line of business is quickly winding down as the Corporation prepares to fully retire its debt. This presents an opportunity to redirect staff resources away from this aspect of financial administration toward increased client service in the repayment services line of business; and,
- the repayment services line of business has the potential to be reorganized to ensure maximum service to student debtors and benefit for Newfoundland and Labrador.

Options will be prepared, analyzed and considered in Fiscal Year 2015-16 as the Corporation prepares its plan in accordance with the 2015-16 objective noted below.

To support the completion of its goal to improve portfolio management by March 31, 2017, the Corporation will use the assessment report as a guideline to develop an action plan to address the declining loans portfolio.

Objective for 2015-16: By March 31, 2016, the Corporation will have developed a plan to address the declining loans portfolio.

Measure: Developed a plan to address the declining loans portfolio.

Indicator: Completed an action plan.

4.0 Highlights and Snapshot for the Year Ending March 31, 2015

- 11,407 loan certificates totaling \$7.6 million were disbursed to students during 2014-15, a decrease from the 12,109 totaling \$10.9 million disbursed in 2013-14.
- The number of loans outstanding for the whole portfolio (loans owned by the Corporation and by the Department of Advanced Education and Skills) decreased by 1,745 (5 per cent) while the value of the portfolio decreased by \$14.1 million (10 per cent).
- \$18.9 million in student loan payments was received from student borrowers who are in repayment status; \$17.3 million related to loans owned by the Corporation and \$1.6 million was received for loans owned by the Department of Advanced Education and Skills.
- To assist student borrowers with reducing their student loan debt, 11,660 up-front grants totaling \$13.2 million and 674 debt reduction grants totaling \$2.5 million were disbursed in 2014-15.
- The number of clients availing of the provincial Repayment Assistance Plan program increased from 2,573 in 2013-14 to 2,759 in 2014-15.
- Since March 31, 2007, the number of loans outstanding for the portfolio has decreased by 8,188 (20 per cent) while the value of the portfolio has decreased by a significant \$149.9 million (54 per cent). This reflects the impact of debt reduction measures taken by the Government of Newfoundland and Labrador. Such debt reduction measures include up-front grants, repayment assistance program and the elimination of interest on provincial student loans. The elimination of provincial student loans to be replaced by provincial student grants was announced in Budget 2014.

Table 2: Student Loan Corporation Portfolio

Portfolio	March 31, 2014				March 31, 2015			
	Number of Loans	Principal	Interest and Fees	Total Value (\$ in millions)	Number of Loans	Principal	Interest and Fees	Total Value (\$ in millions)
Current Portfolio								
Class A - (In School and In Grace)	7,187	\$26.6	\$0.0	\$26.6	6,798	\$22.1	\$0.0	\$22.1
Class B & Interest (In Repayment)	16,909	\$51.8	\$0.0	\$51.8	15,460	\$44.5	\$0.0	\$44.5
Subtotal	24,096	\$78.4	\$0.0	\$78.4	22,258	\$66.6	\$0.0	\$66.6
Default Portfolios								
Department of Education	2,355	\$15.5	\$2.6	\$18.2	2,229	\$14.3	\$2.5	\$16.8
Corporation	3,260	\$19.0	\$1.4	\$20.4	3,029	\$17.0	\$1.3	\$18.3
Canada Revenue Agency	5,846	\$26.0	\$0.6	\$26.6	6,296	\$27.2	\$0.6	\$27.8
Subtotal	11,461	\$60.5	\$4.6	\$62.2	11,554	\$58.5	\$4.4	\$62.9
TOTAL	35,557	\$138.9	\$4.6	\$143.6	33,812	\$125.1	\$4.4	\$129.5

Source: Department of Advanced Education and Skills, 2015

5.0 Opportunities and Challenges Ahead

5.1 Opportunities

- The Corporation has the opportunity to improve management of client files by implementing a Records Retention and Disposal Schedule. This will support the efficient administration of files related to thousands of accounts managed by the Corporation.
- Budget 2015 provided \$12.6 million to eliminate provincial student loans, replacing them with non-repayable grants by August 2015. While existing loans remain, resources will be dedicated to continue to assist student borrowers with repayment. Going forward, the Corporation may also have the ability to realign existing resources to better serve the province and its citizens by providing increased and more cost effective service.

5.2 Challenges

As the Corporation works toward achieving the goals and objectives as set out in the 2014-17 business plan, some challenges include:

- Improving student awareness of available debt-reduction resources, with an aim of ensuring students accumulate the least amount of student loan debt possible.
- Developing and implementing new systems, policies, procedures, and structures to support the work of the Corporation in achieving its mandate.
- Continuing to provide tools that help borrowers develop effective debt management practices and improve their financial literacy.
- Making successful contact with defaulted borrowers in order to counsel them into an effective repayment schedule.

6.0 Conclusion

This annual report outlines the significant progress made in the first year of the business plan for 2014-17. By focusing its efforts on improved portfolio management, specifically with the completion of the assessment report of its portfolio management in 2014-15, the Corporation continues to support the student loan program.

Copies of this document are available at www.aes.gov.nl.ca/publications/annual.html.

7.0 Financial Statements

The audited financial statements show total revenues of \$32.5 million and total expenditures of \$18.5 million.

During the year, the Corporation experienced a \$0.1 million increase in the use of the Repayment Assistance Plan, following an increase of \$0.1 million in this program the previous year. The Corporation recognized a decrease of \$4.7 million in loan repayments from the prior year as well as a \$1.5 million increase in expenses due to lower uptake of provincial grant programs and decreased interest payments on debt, offset by increased uptake of the provincial debt reduction grant program.

The Corporation issued \$13.1 million in up-front needs-based grants and \$2.5 million in debt reduction grants for a total provincial grant expense of \$15.6 million. Interest expense on long-term debt decreased by \$0.3 million as a result of the Corporation's decreasing debt balance.

Overall, the Corporation experienced an accrual surplus of \$14.0 million as reflected on the Statement of Operations, which is a decrease of \$1.2 million from the \$15.2 million surplus reflected in 2013-14. This decrease can be attributed mainly to an increase in grant expense. As with the prior year, the Corporation was able to use existing cash reserves to fund operations in 2014-15 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 \$4.5 million in cash which represents a \$1.9 million decrease in cash and cash equivalents from 2013-14.

Refer to detailed Financial Statements.

**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.



Mr. Paul Dinn
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, 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.

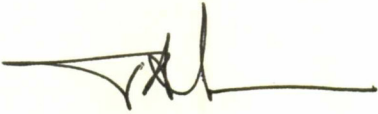
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or 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.

A handwritten signature in black ink, appearing to read 'T. Paddon', with a long horizontal line extending to the right.

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

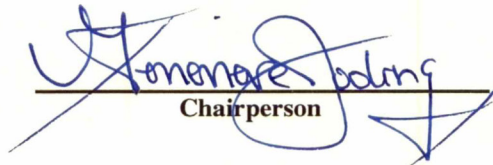
NON-FINANCIAL ASSETS

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	2015 Actual	2014 Actual
	(Note 13)		
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	2015 Actual	2014 Actual
	(Note 13)		
Annual surplus	\$ 12,797,300	\$ 13,991,895	\$ 15,134,650
<u>Amortization of tangible capital assets</u>	<u>10,000</u>	<u>18,046</u>	<u>18,047</u>
Increase in net financial assets	12,807,300	14,009,941	15,152,697
<u>Net financial assets, beginning of year</u>	<u>52,436,099</u>	<u>52,436,099</u>	37,283,402
<u>Net financial assets, end of year</u>	<u>\$ 65,243,399</u>	<u>\$ 66,446,040</u>	<u>\$ 52,436,099</u>

*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.

STUDENT LOAN CORPORATION OF NEWFOUNDLAND AND LABRADOR
NOTES TO FINANCIAL STATEMENTS
March 31, 2015

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.

STUDENT LOAN CORPORATION OF NEWFOUNDLAND AND LABRADOR
NOTES TO FINANCIAL STATEMENTS
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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.

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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

	<u>2015</u>	<u>2014</u>
Federal government	\$ 288,308	\$ 168,279
Provincial government	2,840,799	141,022
	<u>\$ 3,129,107</u>	<u>\$ 309,301</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 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.

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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:

	<u>2015</u>	<u>2014</u>
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
<u>Less: allowance for doubtful accounts</u>	<u>(31,322,091)</u>	<u>(33,205,245)</u>
	\$ 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.

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4. Student loans receivable (cont.)

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

	<u>2015</u>	<u>2014</u>
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)
	<u>\$ (12,654,762)</u>	<u>\$ (16,679,226)</u>

5. Accounts payable and accrued liabilities

	<u>2015</u>	<u>2014</u>
Trade payables and accrued liabilities	\$ 127,713	\$ 212,999
Salaries and benefits payable	10,726	8,122
Accrued vacation pay	80,752	61,575
	<u>\$ 219,191</u>	<u>\$ 282,696</u>

6. Employee future benefits

	<u>2015</u>	<u>2014</u>
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
	<u>\$ 490,881</u>	<u>\$ 331,526</u>

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.

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7. Due to government

	<u>2015</u>	<u>2014</u>
Federal government	\$ 20,325	\$ 23,232
Provincial government	-	38,724
	<u>\$ 20,325</u>	<u>\$ 61,956</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.

8. Long-term debt

Long-term liabilities reported on the statement of financial position are comprised of the following:

	<u>2015</u>	<u>2014</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	\$ 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.

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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.

STUDENT LOAN CORPORATION OF NEWFOUNDLAND AND LABRADOR
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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.

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11. Related party transactions

	<u>2015</u>	<u>2014</u>
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.

