
Financial statements of NSCAD University

March 31, 2024

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Independent Auditor's Report

To the Board of Governors of
NSCAD University

Opinion

We have audited the financial statements of NSCAD University (the "Company"), which comprise the statement of financial position as at March 31, 2024, and the statements of operations, changes in fund balances and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the University as at March 31, 2024, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the University in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and the Audit and Risk Committee for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian Accounting Standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the University or to cease operations, or has no realistic alternative but to do so.

The Audit and Risk Committee is responsible for overseeing the University's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 University's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the University's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the University to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Audit and Risk Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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Chartered Professional Accountants
August 13, 2024

NSCAD University
Statement of financial position
As at March 31, 2024

	Notes	Unrestricted			Restricted	Total 2024	Total 2023
		Operating fund 2024	Endowment Fund 2024	Capital Fund 2024	Research and Special Purpose Fund 2024		
		\$	\$	\$	\$	\$	
Assets							
Cash		1,113,262	—	—	—	1,113,262	1,167,823
Investments	3	7,407,840	11,240,993	3,119,905	2,658,024	24,426,762	24,522,678
Accounts receivable	4	286,827	—	—	—	286,827	333,429
Prepaid expenses	9	1,762,849	—	—	—	1,762,849	1,784,735
Inventory		168,240	—	—	—	168,240	144,185
Due from Operating Fund		—	—	—	7,680,431	7,680,431	9,946,849
Due from Endowment Fund		528,034	—	—	—	528,034	277,278
Due from Capital Fund		21,856,627	—	—	—	21,856,627	23,372,184
		33,123,679	11,240,993	3,119,905	10,338,455	57,823,032	61,549,161
Property and equipment							
Land	5	—	—	4,402,490	—	4,402,490	4,402,490
Building		—	—	19,296,928	—	19,296,928	19,118,159
Work in progress		—	—	3,209,856	—	3,209,856	1,826,599
Equipment		—	—	5,087,650	—	5,087,650	5,088,206
Computer hardware		—	—	1,473,699	—	1,473,699	1,476,181
Computer software		—	—	805,220	—	805,220	805,220
Leasehold improvements		—	—	13,189,538	—	13,189,538	13,189,538
		—	—	47,465,381	—	47,465,381	45,906,393
Less: Accumulated amortization	5	—	—	19,952,922	—	19,952,922	19,206,131
		—	—	27,512,459	—	27,512,459	26,700,262
		33,123,679	11,240,993	30,632,364	10,338,455	85,335,491	88,249,423
Commitments							
Liabilities and fund balances							
Accounts payable and accrued liabilities		2,138,596	—	—	—	2,138,596	2,915,484
Deferred revenue		1,355,760	399,290	2,414,859	3,503,702	7,673,611	6,490,980
Deferred capital contribution	7	—	—	7,444,816	—	7,444,816	7,644,799
Due to Operating Fund		—	528,034	21,856,627	—	22,384,661	23,649,462
Due to Research and Special Purpose Fund		7,680,431	—	—	—	7,680,431	9,946,849
		11,174,787	927,324	31,716,302	3,503,702	47,322,115	50,647,574
Fund Surplus (Deficiency)		21,948,892	10,313,668	(1,083,938)	6,834,753	38,013,375	37,601,849
		33,123,679	11,240,993	30,632,364	10,338,455	85,335,491	88,249,423

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

Approved by the Board

_____ Governor

_____ Governor

NSCAD University
Statement of operations
Year ended March 31, 2024

	Unrestricted			Restricted	Total 2024	Total 2023
	Operating Fund 2024	Endowment Fund 2024	Capital Fund 2024	Research and Special Purpose Fund 2024		
	\$	\$	\$	\$	\$	\$
Revenues						
Government grants						
Unrestricted	9,268,941	—	—	—	9,268,941	9,195,648
Restricted	—	—	109,117	—	109,117	202,721
Student academic fees	8,105,202	—	—	—	8,105,202	8,076,618
Other government grants	203,103	115,000	—	154,484	472,587	481,159
Contributions received	39,097	230,159	204,581	348,411	822,248	404,714
Ancillary enterprises	838,074	—	—	—	838,074	779,993
Rent	626,449	—	—	—	626,449	626,789
Research grants	—	—	—	633,089	633,089	501,561
Unrealized gain (loss) on investments	—	1,030,989	123,870	—	1,154,859	(697,705)
Investment income	478,453	171,367	12,953	—	662,773	767,752
Miscellaneous	182,004	—	—	130,102	312,106	160,647
	19,741,323	1,547,515	450,521	1,266,086	23,005,445	20,499,897
Expenses						
Academic						
Salaries	9,274,716	—	—	—	9,274,716	8,650,747
Operating	586,180	—	—	431,170	1,017,350	739,797
Facilities operation	2,772,438	—	—	942	2,773,380	3,519,099
Administration	3,839,192	—	—	200,884	4,040,076	3,223,182
Service departments	2,250,366	—	—	—	2,250,366	1,969,780
Amortization of property and equipment	—	—	921,791	—	921,791	905,247
Ancillary enterprises	861,872	—	—	—	861,872	853,304
Interest	102,029	—	—	—	102,029	72,657
Research expenditures	—	—	—	633,089	633,089	501,562
Scholarships	—	629,624	—	—	629,624	465,547
Rent	89,625	—	—	—	89,625	120,732
	19,776,418	629,624	921,791	1,266,086	22,593,918	21,021,654
(Deficiency) excess of revenue over expenses	(35,095)	917,891	(471,270)	—	411,526	(521,757)

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

NSCAD University
Statement of changes in fund balances
Year ended March 31, 2024

	Unrestricted	Restricted		Research and Special	Total
	Operating	Endowment	Capital	Purpose Fund	
	\$	\$	\$	\$	\$
Fund balances, March 31, 2022	20,863,435	9,719,127	(3,113,896)	10,654,940	38,123,606
Excess (deficiency) of revenue over expenses	510,221	(323,350)	(708,628)	—	(521,757)
Appropriations	298,737	—	—	(298,737)	—
Fund balances, March 31, 2023	21,672,393	9,395,777	(3,822,524)	10,356,203	37,601,849
(Deficiency) excess of revenue over expenses	(35,095)	917,891	(471,270)	—	411,526
Appropriations	311,594	—	3,209,856	(3,521,450)	—
Fund balances, March 31, 2024	21,948,892	10,313,668	(1,083,938)	6,834,753	38,013,375

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

NSCAD University
Statement of cash flows
Year ended March 31, 2024

	2024	2023
Note	\$	\$
Operating activities		
Deficiency of revenue over expenses	411,526	(521,757)
Items not affecting cash		
Amortization of property and equipment	921,791	905,247
Amortization of deferred capital grants and deferred capital contributions	(313,698)	(234,756)
Unrealized (gain) loss on endowment investments	(1,030,989)	586,636
Unrealized (gain) loss on capital fund investments	(123,870)	111,069
Changes in non-cash working capital items	654,757	(251,271)
11	519,518	595,168
Investing activities		
Purchase of property and equipment	(1,733,988)	(2,364,560)
Net change in endowment investments	(95,522)	(482,159)
Net change in capital grants and deferred capital contributions	(90,866)	959,972
Net change in restricted capital investments	(13,020)	(159,961)
	(1,933,396)	(2,046,708)
Net decrease in cash	(1,413,878)	(1,451,540)
Cash, beginning of year	12,593,004	14,044,544
Cash, end of year	11,179,126	12,593,004
Cash	1,113,262	1,167,823
Operating and research and special purpose fund investments	10,065,864	11,425,181
	11,179,126	12,593,004

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

1. Description of business

Nova Scotia College of Art and Design, operating as NSCAD University (the "University"), is located in Halifax and offers degrees in fine arts and design both at undergraduate and graduate levels. The University receives its principal funding from the Province of Nova Scotia through recommendations of the Nova Scotia Council on Higher Education. The University is a registered charity and, as such, is exempt from payment of income taxes.

2. Significant accounting policies

The financial statements are prepared in accordance with Canadian generally accepted accounting principles using Canadian accounting standards for not-for-profit organizations in Part III of the Chartered Professional Accountants of Canada Handbook.

Fund accounting

The University maintains its accounts in accordance with the fund accounting method in order to ensure observance of restrictions, if any, placed on the resources made available to it.

The unrestricted Operating Fund accounts for those resources over which the University's Board of Governors has sole authority and which are expendable for any purpose in the fulfillment of the University's objectives.

The restricted funds, consisting of the Endowment Fund, the Capital Fund and the Research and Special Purpose Fund, account for those resources made available to the University by outside organizations and individuals, by way of grants, service contracts or gifts. These resources, although expendable in the course of normal operations, are restricted as to use by the outside party. These restricted funds also include expendable amounts restricted as to use by action of the University's Board of Governors.

The financial statements of the University are prepared using the deferral method with the multi-column format. The deferral method, which introduces the concept of deferring restricted revenues to future accounting periods, is a process of matching the restricted revenues with the related expenses regardless of when the revenues are received. Restricted revenues are recognized as revenue in the same accounting period as related expenses. Those restricted revenues for which the related expenses have not been incurred are reported as deferred income on the University's statement of financial position.

Financial instruments

Financial assets and financial liabilities are initially recognized at fair value and subsequently measured at amortized cost, except for investments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in the statement of operations.

Financial assets measured at amortized cost include cash, accounts receivable and due from capital/operating funds.

Financial liabilities measured at amortized cost include bank indebtedness, demand loan payable, accounts payable and accrued liabilities, long-term debt and due to operating/endowment/research and special purpose funds.

Cash

Cash is comprised of cash and deposits and overdraft positions with financial institutions.

Investments

Investments include marketable securities, all of which are recorded at fair value, determined using closing price quotations in an active market. Settlement date accounting is used.

2. Significant accounting policies (continued)

Inventory

Inventory consists of merchandise and supplies held for resale and are valued at the lower of cost and net realizable value. Cost is determined on a first in first out basis. Administrative and program supplies and library periodicals are not inventoried.

Property and equipment

Property and equipment are stated at cost in the Capital Fund.

Library book additions are not capitalized to the capital asset accounts.

Amortization is computed by the straight-line method over the estimated useful asset lives at the following rates:

Building	2%
Equipment	10%
Computer hardware	25%
Computer software	20%
Leasehold improvements	Term of lease

Impairment of long-lived assets

Long-lived assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when their carrying value exceeds the total undiscounted cash flows expected from their use and eventual disposition. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair value.

Collection

The University's permanent collections of Historic Art (a portion of it is now on indefinite loan to the Art Gallery of Nova Scotia) and library books were not formed for commercial purposes and are not considered realizable assets. The value of these assets are not reflected in these financial statements.

Revenue recognition

The University follows the deferral method of accounting for revenue. Student academic fees and ancillary revenue are recognized when the services are provided or the goods are sold and collectability is reasonably assured. Rent revenue is recognized over the term of the lease as it becomes due and investment income is recognized when the University's right to receive payment has been established. Funding for expenditures is deferred and recognized as revenue in the year in which the related expenditure is incurred. Funding received for property and equipment is deferred and recognized as revenue on the same basis as the acquired property and equipment are amortized.

Use of accounting estimates

The preparation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date, as well as revenue and expenses for the period then ended. Actual results could differ from those estimates. Significant accounts most subject to judgement and estimation include the amortization periods for property and equipment, deferred revenue, deferred capital contributions and accrued liabilities.

3. Investments

The market value of all investments in the Endowment Fund at March 31, 2024 was \$11,240,993 (\$10,114,482 in 2023). The cost of all investments in the Endowment Fund at March 31, 2024 was \$11,129,932 (\$10,865,379 in 2023). The investments in the Endowment Fund are comprised of \$4,389,937 in fixed income investments, \$6,604,491 in equity investments and \$135,504, in other investments (\$3,979,169, \$6,750,139 and \$136,071, respectively in 2023). In the current year the equity investments had an unrealized gain of \$1,030,989 (unrealized loss of \$586,636 in 2023).

The market value of all investments in the Capital Fund approximate their book value as they are comprised of highly liquid short term investments and fixed income investments.

The market value of all investments in the Operating Fund approximate their book value as they are comprised of highly liquid short term investments with a maturity of 12 months or less.

4. Accounts receivable

	2024	2023
	\$	\$
Student tuition and fees	161,321	210,485
Student accounts deemed uncollectible	242,535	253,618
Trade and other receivables	18,930	65,578
Harmonized sales tax	144,859	74,424
	567,645	604,105
Less: Allowance for doubtful accounts	(280,818)	(270,676)
	286,827	333,429

The allowance for doubtful accounts is made up of \$46,323 for student tuition and fees, \$218,281 for student accounts deemed uncollectible and \$16,213 for trade and other receivables (\$33,973, \$228,519 and \$8,184, respectively in 2023).

5. Property and equipment

	2024		2023	
	Cost	Accumulated amortization	Cost	Accumulated amortization
	\$	\$	\$	\$
Land	4,402,490	—	4,402,490	—
Buildings	19,296,928	7,555,177	19,118,159	7,187,899
Work in progress	3,209,856	—	1,826,599	—
Equipment	5,087,650	4,277,757	5,088,206	4,269,697
Computer hardware	1,473,699	1,311,625	1,476,181	1,285,306
Computer software	805,220	805,271	805,220	805,271
Leasehold improvements	13,189,538	6,003,092	13,189,538	5,657,958
	47,465,381	19,952,922	45,906,393	19,206,131
Less: accumulated amortization	19,952,922	—	19,206,131	—
Net book value	27,512,459	19,952,922	26,700,262	19,206,131

Insurance on a replacement cost basis is carried on the building and contents of the University in the amount of \$108,174,185 (\$106,177,159 in 2023).

6. Demand loan

In 2015, the University renegotiated the terms of its non-revolving demand loan and converted it to a reducing revolving term credit facility with an opening authorized amount of \$7,875,000. The authorized amount was reduced by \$125,000 on June 30, 2015 and \$250,000 semi-annually thereafter. At the end of 2024 the University had available credit on this facility of \$3,500,000 (\$4,000,000 in 2023) of which there was \$nil outstanding (nil in 2023).

During the year, the University entered into a \$300,000 standby letter of credit, bearing interest at 1% with an expiration date of July 1, 2030 in relation to the additional square footage of leased space secured with the Halifax Port Authority (note 10). At the end of 2024, the University had available credit on this facility of \$300,000 (\$300,000 in 2023) of which there was nil outstanding (nil in 2023).

7. Deferred capital contribution

Deferred capital contribution represents the unamortized amount of externally funded property and equipment, which will be recognized as income in the capital fund as those items of property and equipment are amortized.

	2024	2023
	\$	\$
Balance, Beginning of Year	7,644,799	7,430,161
Add: donations and grants	3,651	417,359
	7,648,450	7,847,520
Less: Amortization	203,634	202,721
	7,444,816	7,644,799

8. Pension

The University contributes on behalf of substantially all of its employees to a defined contribution pension plan (the "Plan"). The University charges income with the required contribution to the Plan on an annual basis. The employer's and employees' contributions for the year were \$684,442 (\$644,146 in 2023) and \$875,591 (\$526,237 in 2023), respectively.

9. Commitments

The University has leased 70,000 square feet of space at the Halifax Seaport from Halifax Port Authority, for a 40-year period ending August 31, 2045. The total base rent for 40 years is \$2.5 million. This amount has been recorded as Prepaid expenses in the Statement of financial position. Amortization of the based rent commenced in September 2007 upon opening of the Port Campus and is amortized based on straight-line over 40 years. The unamortized balance is \$1,473,626 (\$1,542,430 in 2023).

An amendment to this lease was signed in September 2022, adding 4,200 square feet for a period of 23 years ending August 23, 2045. The total incremental base rent for 23 years is \$209,000 plus applicable taxes. This amount has been recorded as Prepaid expenses in the Statement of financial position. Amortization of the incremental base rent commenced in September 2022 and is amortized based on straight-line over 23 years.

The University has leased an adjacent space at the Halifax Seaport from Halifax Port Authority for a 20-year period commencing on January 1, 2027, with a further optional term of 20 years. The total base rent for the initial term of 5 years is \$5,106,605, payable in equal annual installments of \$1,021,301 plus applicable taxes. Once the base rent is paid in full, only additional rent and associated taxes will be payable over the remainder of the term and the optional term.

10. Financial instruments

Financial risk refers to the impact on the University's cash flows due to fluctuations in interest rates and the credit quality of student receivables. The University manages its financial risks as follows:

Credit risk

The University performs a continuous evaluation of its accounts receivable and records an allowance for doubtful accounts as required. Management considers there is no significant credit risk as at March 31, 2024.

Fair value

The fair value of cash, bank indebtedness, demand loan, accounts receivable, accounts payable and accrued liabilities and due to/from operating/capital/endowment/research and special purpose funds are approximately equal to their carrying values due to their short-term maturity. Investments are recorded at fair value.

Liquidity risk

The University's objective is to have sufficient liquidity to meet its liabilities when due. The University monitors its cash balances and cash flows generated from operations to meet its requirements. The revolving term credit facility has an authorized amount of \$4,000,000 as noted in Note 7.

Market risk

The University is subject to market risk with respect to its investments. The University manages this risk by maintaining a diversified portfolio.

11. Change in non-cash working capital items

	2024	2023
	\$	\$
Accounts receivable	46,602	41,858
Prepaid expenses	21,886	(65,100)
Inventory	(24,055)	17,481
Accounts payable and accrued liabilities	(776,888)	(245,510)
Deferred revenue	1,387,213	640,649
	654,758	389,378

12. Nova Scotia Bursary Program

For the year ended March 31, 2024, students of the University received \$305,116 (\$291,402 in 2023) through the Nova Scotia Bursary Program.